FINANCIAL TIMES

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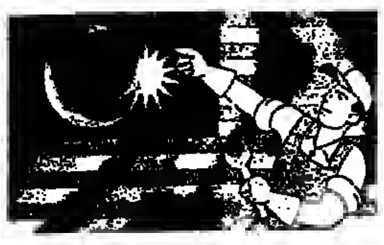

Wanted: workers
Malaysia's acute labour shortage
Page 5

Ireland
Search for a new president
Page 2

Armani's plans fuel speculation over a flotation

Italian fashion designer Giorgio Armani, who dresses the likes of Jodie Foster and Eric Clapton, has unveiled plans to restructure his business interests, fuelling speculation of a stock market flotation. Rumours of an Armani share issue follow last month'a murder in the US of his rival Gianni Versace, who had planned to take his company public next spring. US fashion designer Ralph Lauren successfully floated in New York earlier this summer. Page 11

FCC rejects Ameritech plan: The Federal Communications Commission, chief US telecoms regulator, has formally rejected an application by Chicago-based local telephone company Ameritech to enter the long-distance market in Michigan. The FCC said Ameritech had not yet done enough to open its local monopoly to increased competition. LCI accuses Ameritech, Page 3

London Insurance bid: London Insurance Group, Canada's biggest underwriter of individual life policies, faces the prospect of a takeover battle, with a C$2.9bn ($2.08bn) bid from Great-West Lifeco, the Canadian insurance holding company. Page 11

Fed leaves rates unchanged: The US Federal Reserve left short-term interest rates unchanged, delaying action until a clearer signal about the strength of inflation and the direction of the US economy. Fed chairman Alan Greenspan believes productivity has been vastly underestimated in the "New Economy" and this has helped keep inflation in line. Page 10

Titanic traveller arrives 85 years late

Millvina Dean, left, the youngest survivor of the Titanic shipwreck, has arrived at ber original destination 85 years late. Aged just nine weeks, she and her English family were emigrating to the US in 1912 but returned bome after the liner sank. Now she has finally visited the Kansas City bouse which was to have been their home.

MCI offers concessions: MCI Communications – the second largest US long-distance operator – has offered e significant concession to the FCC in an effort to win swift approval of its merger with British Telecommunications. Page 11

Construction slowdown in Germany: A slowdown in Germany's construction industry means the forecast recovery in the west European construction equipment sector will be much weaker than expected. Page 4

Lebanon fighting: Lebanon and Israel are trying to end the escalation in fighting on their border following katyusha rocket attacks on northern Israel and Monday's shelling of the Lebanese port of Sidon. Page 10

Japanese collapse triggers fears: The collapse of Japanese contractor Daito Kogyo has triggered fears of more corporate failures amid sluggish private demand and weak economic conditions. Page 13

Bayer performs well: German chemicals and drugs group Bayer overcame a drop in prices and higher-than-expected extraordinary charges to report e strong first half rise in profits and sales. Page 11

BP relents over Greenpeace: British Petroleum has backed down on its threat to seek £1.4m ($2.2m) damages from Greenpeace after the environmental pressure group's eight-day occupation of a mobile oil rig in the North Atlantic. Page 10

Singapore PM grilled: Singapore's prime minister Goh Chok Tong underwent tough questioning from top UK lawyer George Carman in e high-profile defamation case against the leading opposition politician Joshua Jeyaretnam. Page 5

Roman folly: Bernini's famous Four Rivers fountain in Rome'a Piazza Navona was damaged when three men took a dip to escape the summer heat and used part of it as a diving board. A metre-long piece from the tail of a dragon in the stone 17th century baroque masterpiece snapped off when they dived.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,881.87	(+78.51)
NASDAQ Composite	1,595.07	(+25.55)
Europe and Far East		
CAC40	2,936.16	(+66.03)
DAX	4,169.62	(+91.02)
FTSE 100	4,914.2	(+79.2)
Nikkei	18,961.00	(-80.10)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.207%
Long Bond	98⅞
Yield	6.506%

OTHER RATES

UK: 3-mo Interbank	7⅛%	(same)
UK: 10 yr Gilt	101¾	(101⅝)
France: 10 yr OAT	99.97	(99.62)
Germany: 10 yr Bond	102.98	(102.67)
Japan: 10 yr JGB	106.9228	(106.771)

NORTH SEA OIL (Argus)

Brent Dated	$18.93	(18.45)

GOLD

New York Comex		
Aug	$323.0	(321.1)
London:		
close	$323.05	(322.85)

DOLLAR

New York lunchtime		
£	1.6033	
DM	1.8415	
FFr	6.2086	
SFr	1.51685	
Y	118.17	
London:		
£	1.6062	(1.6109)
DM	1.8364	(1.8223)
FFr	6.1862	(6.1427)
SFr	1.5141	(1.5103)
Y	118.195	(117.74)
Tokyo close:	Y 118.25	

STERLING

DM	2.9486	(2.9356)

Bonn on target to meet criteria for monetary union, says OECD

Boost for Germany on Emu

By Ralph Atkins in Bonn

Germany received a boost yesterday in its drive to ensure the strength and stability of the proposed single European currency after the Organisation for Economic Co-operation and Development said the German government had a good chance of meeting the strict criteria for monetary union.

The OECD report may belp Helmut Kohl, the chancellor, allay the suspicions of some of his conservative political allies that the entrance criteria could be so relaxed as to damage the euro from the start.

In addition, full compliance with the criteria for budget deficits should enable Mr Kohl to insist on a similar performance from other countries, especially Italy, which want to ba founder-members of the euro in 1999.

Financial markets have assumed that as many as 11 European Union countries could take part in the euro's launch, but the OECD report may maan Germany could again argue for a smaller group in the first wave.

The OECD forecasts a German public sector deficit this year of 3.2 per cent of gross domestic prodnct, sligbtly above the 3 per cent target set in the Maastricht treaty on European monetary union.

But in a fillip for Mr Kohl, the OECD said the Maastricbt target "could be effectively regarded as being met" because the difference was well within the range of normal statistical revisions.

OECD officials believe revisions to German statistics mean this year's outcome is more likely to be below 3.2 per cent than above. The organisation is also forecasting a public sector deficit of 2.7 per cent for 1998, pointing to a long-term downward trend in line with Maastricbt's goal of sustainable economic convergence.

The prospect of a smaller initial monetary union would lift confidence in tbe euro, although France's difficulties in meeting the criteria continue to pose problems.

The OECD's German survey warned that the deficit forecast faced the threat of lower-tban-expected tax revenues. Rushed tax increases to offset any slippage "could have negative effects on confidence".

The report emphasised the need for furtber structural reform in Germany, including curbing public subsidies. The OECD was sceptical about the chances of reducing public spending and tax revenues as a proportion of GDP.

Bonn's plans for net tax cuts worth DM30bn ($16.6bn) from 1999 collapsed this month after resistance from the Bundesrat, the opposition-controlled second chamber of parliament.

The OECD forecast 2.2 per cent growth this year and 2.6 per cent in 1998.

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Germany's money supply grew more slowly than expected in July, making the chances of a rise in interest rates less likely wben the Bundesbank holds its council meeting tomorrow. The bank has already held off once this week from a possible rise, leaving its regular securities repurchase (repo) rate unchanged at 3 per cent. Page 2

Parcel strike ends after UPS adds to 'final' offer

By Richard Tomkins in New York

Striking workers at United Parcel Service were expected to return to work today after the company agreed to make significant improvements to its "last, best and final" proposal for a new labour contract.

The deal, struck between UPS and the International Brotherhood of Teamsters late on Monday night, ends an industrial dispute that bad all but shut down the biggest package delivery company in the US for 15 days, bringing widespread disruption to business and costing UPS $600m in lost revenues.

However, the business community's relief that the strike is over will be tempered by worries that the union's perceived victory could mark e resurgence in the power of the US labour movement after years of decline.

Ron Carey, general president of the Teamsters' union, yesterday called the settlement a "victory over corporate greed".

"This is not just a Teamster victory: this is a victory for all working people," be said.

During the strike, the Teamsters' union maintained that e key issue in the dispute was the rapid growth in the proportion of low-paid, part-time jobs et UPS in relation to higher-paid, full-time jobs.

As part of the deal, UPS agreed to create an extra 10,000 full-time jobs by combining existing part-time jobs over the five-year life of the labour contract – it bad originally proposed to create 1,000.

It also agreed to raise part-timers' starting pay for the first time since 1982, adding $1 an bour to existing rates; and it said it would allocate five-sixths of the full-time vacancies to part-timers instead of four-fifths, as now.

UPS further agreed to increase full-time pay rates by $3.10 an bour, and seid it would let the Teamsters' union retain control over the workers' pension funds, caving in over its plan to set up a new independent scheme run jointly by the union and the company.

However, the union made concessions, too. It had sought a shorter labour contract than the five-year one it accepted, and UPS indicated that the increases in full-time jobs would depend on increases in revenues.

Jim Kelly, chairman and chief executive of UPS, said: "We certainly have achieved a contract that we think is well

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Striking UPS workers in New York yesterday cheer news of the settlement Reuters

Thailand to get $3.3bn to shore up foreign reserves

By Ted Bardacke in Bangkok and Peter Montagnon in London

Tha Bank for International Settlemants is likely to announce today that it bas arranged a $3.3bn bridging loan for Thailand to tide the country over till it can draw on a $16bn international rescue package agreed last week.

Thanong Bidaya, Thai finance minister, said the loan would be used to shore up foreign reserves and help cover a balance of payments shortfall. The Thai cabinet gave him the authority yesterday to raisa the additional $3.3bn.

The loan, which will be taken in financial markets as e sign of Thailand'a continuing urgent need for foreign exchange, is expected to include contributions from the US Federal Reserve and European central banks.

This will broaden the geographic spread of international assistance efforts for Thailand which have hitherto concentrated on contributions from Asia-Pacific countries, alongside the International Monetary Fund, World Bank and Asian Development Bank.

European central bankers said the BIS loan will be strictly short-term in nature, with repayment pegged to the proceeds of loans from the World Bank and International Monetary Fund which have been promised as part of the broader $16bn bail-out.

The BIS is owned by leading central banks and provides banking services to them.

The IMF board is due to approve Thailand's application for some $4bn in loans this week. However, tha money will be made available over three years, and the administrative procedures mean it will take several days to disburse the first instalment.

Nonetheless, commercial bankers say Thailand's recourse to the BIS is an indication it may face difficulty keeping its international reserves above the $23bn level prescribed by the IMF. Many suspect the Bank of Thailand faces a squeeze as it unwinds forward sales of dollars undertaken when it was intervening to defend the baht. The extent of this is likely to be made known on August 29, when the central bank, under IMF guidance, presents a balance sheet.

Traders said these worries contributed to downward pressure on the baht, which closed at a record low of Bt32.70 to the dollar, down 21.4 per cent since it was floated on July 2.

Thailand's foreign debt totals nearly $89bn. Japanese banks, which hold about half of that, are expected to roll over most of their loans, but bankers say their ettempts to syndicate an edditional loan package of up to $5bn have run up against demands from Japanese lenders that US and European commercial banks be involved as well.

Hong Kong shares hit by speculation fears, Page 5
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Elf shares jump after large oil discovery off Angola

By Samer Iskandar in Paris and Robert Corzine in London

Shares in Elf Aquitaine, France's biggest oil gronp, jumped 5.9 per cent to FFr685 ($110.66) yesterday after the company announced the discovery of what could be the biggest oil field yet found in tbe deep water off Africa's west coast.

Elf said the Dalia discovery could be significantly larger than Girassol 1, located three kilometres to the west on Block 17 off the Angolan coast. Girassol's recoverable reserves have been estimated et 700m barrels by Elf, and up to 1bn barrels by indnstry experts. The find comes amid growing oil industry interest in the water off west Africa.

A raport from NatWest Securities estimated total deep water reserves off Angola, Nigeria, Eqnatorial Guinea, and Congo at 15bn-20bn barrels. About 5bn barrels are thought to have been found so far.

Prodnction tests on tbe Dalia 1 well, drilled et e water depth of 1,360 metres, gave an indicative flow rate of 16,000 barrels per day. Elf said the commercial potential could not be evaluated withont further appraisal work, but one of the consortium partners said the discovery offered e "very high potential".

Elf is the operator of Dalia, with e share of 35 per cent. Its partners inclnde Exxon's Angolan snbsidiary (20 per cent) and British Petroleum (16.67 per cent). Statoil and Norsk Hydro of Norway and Petrofina of Belgium are also in the consortium.

Mr Jeremy Hudson, oil analyst at Salomon Brothers in London, said the discovery improved the prospects for Block 17, the area in which Dalia is located. As a result, Salomon said its target for Elf shares had "increased by 3 or 4 per cent from the pre-discovery fair value of FFr750".

"The shara'a performance does not reflect the potential

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Belarus officials increase pressure against TV staff ☐ Warning of show trial for reporters

Russia mute over arrests of journalists

By Chrystia Freeland in Moscow

Senior Russian officials reacted mildly yesterday to increasing evidence of severe official pressure against Russian journalists in neighbouring Belarus.

The affair threatens to blow up into a serious problem for Boris Yeltsin, the Russian president, who could he forced to choose betwaen tbe liberal and hardline factions of his government.

On Monday, Belarus's long-running campaign against Russian journalists from the state-owned ORT channel took a disturbing turn when one arrested reporter, Anatoly Adamchuk, made a public "confession" of his guilt and pleaded for mercy.

After two days of interrogation, Mr Adamcbuk, 22, made a televised statement to the effect that a trip be had made near tbe border between Belarus and Lithuania was part of a wider conspiracy at the television station.

Eyewitnesses said that Mr Adamchuk bad a "dead gaze" and a "robotic delivery" as he said he bad been "a pawn...drawn into a game above my head".

ORT officials compared the confession to Stalinist show trials of the 1930s, and warned that five other detained ORT journalists risked being physically coerced to make similar statements.

Alexander Lukasbenko, the president of Belarus, has repeatedly accused Russian and other foreign journalists of seeking to undermine his regime.

The arrests of Russian citizens working for a Russian state-owned television company have infuriated Moscow liberals, wbo have urged the Kremlin to reconsider its intimate relationship with Belarus.

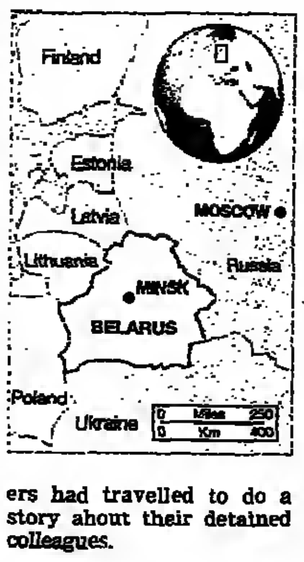
However, senior Russian politicians, mindful of the popular appeal of reunion with Russia's "Slavic brother", have been reluctant to criticise Mr Lukashenko. Russia signed a union treaty earlier this year establishing close political and economic ties with its neighbour.

In a gesture of support, Anatoly Lisitsin, the governor of Yaroslaval province in central Russia, this week travelled to Minsk, capital of Belarus. At a press conference, Mr Lisitsin said the journalists' arrests were "a local affair which does not have any impact on the lives of real people".

The Russian foreign ministry has also taken a lenient line. Although Russian diplomats in Minsk have asked Belarus to release the state-employed journalists as "a goodwill gesture", the consulate has backed Mr Lukashenko's assertion that the arrests were legal.

The first group of ORT reporters was arrested in late July, near the Belorussian border with Lithuania, where the television journalists were investigating official controls along a frontier which has become a notorious area for smuggling.

The second group was arrested last weekend in the same area, where the reporters had travelled to do a story about their detained colleagues.



German rate rise less likely

By Andrew Fisher in Frankfurt

Germany's money supply grew more slowly tban expected in July, making tbe cbances of a rise in interest rates less likely when the Bundesbank bolds its first council meeting after the summer break tomorrow.

Tbe central hank has already held off once this week from a possible increase, leaving its regular securities repurchase (repo) rate unchanged yesterday at 3 per cent.

But it is maintaining flexibility by deciding each week whether the repo tender will be at a fixed rate – as at present – or variable, which would allow the rate to move up.

The bank said M3 rose at an annualised rate of 5.7 per cent last month against 6.4 per cent in June and 7 per cent in May.

For the second month running, it was within the Bundesbank's 1997 target range of 3.5 per cent to 6.5 per cent.

The slower growth rate reflected weaker hank lending to companies and stronger monetary capital formation in which funds are moved to longer-term securities outside M3.

Despite growing concern at the Bundesbank about inflation as a result of the D-Mark's weakness against the dollar, economists generally expect no change in interest rates at tomorrow's Bundesbank meeting.

This is partly because a rise could add to the markets' volatile mood.

Otmar Issing, a senior Bundesbank council member, has twice warned that price trends were moving in the wrong direction.

The bank's latest monthly report also pointed to the need to watch inflationary trends in view of tbe sbarp weakening of tbe D-Mark.

Bnt several regional members of the council have argued against a precautionary rise in rates at present, saying this wonld disturb the economic recovery, which has yel to make a dent in high unemployment levels.

The repo rate, uncbanged for a year, is generally thought by economists to be tbe most tikely one to cbange wben tbe Bundesbank decides to act.

They do not expect the discount and Lombard rates, respectively at 2.5 per cent and 4.5 per cent, to be increased for soma time.

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Karadzic loyalists seize police chief

By Guy Dinmore in Banja Luka, Bosnia

Hardline nationalist forces controlled hy Radovan Karadzic, an indicted war crimes suspect, yesterday dealt a blow to Biljana Plavsic, the western-backed Bosnian Serb president, by detaining her new chief of police in her stronghold of Banja Luka.

Major Milan Sutilovic was taken away hy special police forces and told to sign a letter of resignation. He refused and was later released, officials said.

Mrs Plavsic attempted to reinforce her tenuous control over security forces in Banja Luka by replacing four police chiefs on Monday night. But hy yesterday afternoon Dejan Samara, who was to be replaced by Major Sutilovic, was still in charge of Banja Luka's main police station.

Amid growing fears of a possible coup against Mrs Plavsic, opposition parties accused illegal police forces of gathering in Banja Luka, Bosnia's second largest city, and called on people to stage a rally of support for the president in the evening.

The power struggle within the Serb-controlled territory that makes up half of Bosnia erupted into the open last month when Mrs Plavsic sacked her interior minister, dissolved parliament and called for early elections to be held in October.

The conflict between Mrs Plavsic in the west of Bosnia and Mr Karadzic, tbe ex-president hased in tbe east, intensified last Sunday when special police forces loyal to Mrs Plavsic seized cootrol of the main police station for 12 hours.

Nato troops eventually evicted them, saying the operation broke the 1995 Dayton peace accord.

Mrs Plavsic accused her rivals of using the building illegally to tap her telephone lioes and those of other prominent figures, including Jovo Rosic, a constitutional court judge. The court, in Mr Karadzic's stronghold of Pale near Sarajevo, last Friday struck down Mrs Plavsic'a dissolution of parliament.

Friends of Mr Rosic said he had been badly beaten the day before the court voted, and the issue was taken up hy the US, which has pledged strong support for Mrs Plavsic in its efforts to consolidate peace in Bosnia before Nato troops are due to leave next June.

The condition of Mr Rosic is a mystery. He has not appeared in public, and no western officials have seen him since he came to Banja Luka from Pale last Friday.

UN civilian police who scoured the police station for two days said they had found evidence indicating illegal phone tapping. Investigations are continuing. Accusations by Mrs Plavsic of corruption against Mr Karadzic and his allies have weakened the ruling Serb Democratic party (SDS), which expelled her this month. Western analysts in Bosnia believe the SDS could lose power if properly supervised elections can be held in October.

Moment of truth, Page 8

Irish put faith in presidential role

Contenders will find they have a hard act to follow after Mary Robinson raised voters' expectations of the job, writes **John Murray Brown**

At the time of her resignation as Irish president, Mary Robinson said there should be an election to replace her. The voters, and most of tbe political parties, would appear to agree.

Fianna Fail, however, has different ideas. As Ireland's largest party, the presidential election is there for Fianna Fail to win or lose.

Mrs Robinson was the first president not from Fianna Fail – and even then her victory had less to do with her qualities than a scandal surrounding tha Fianna Fail candidate, Brian Lenihan.

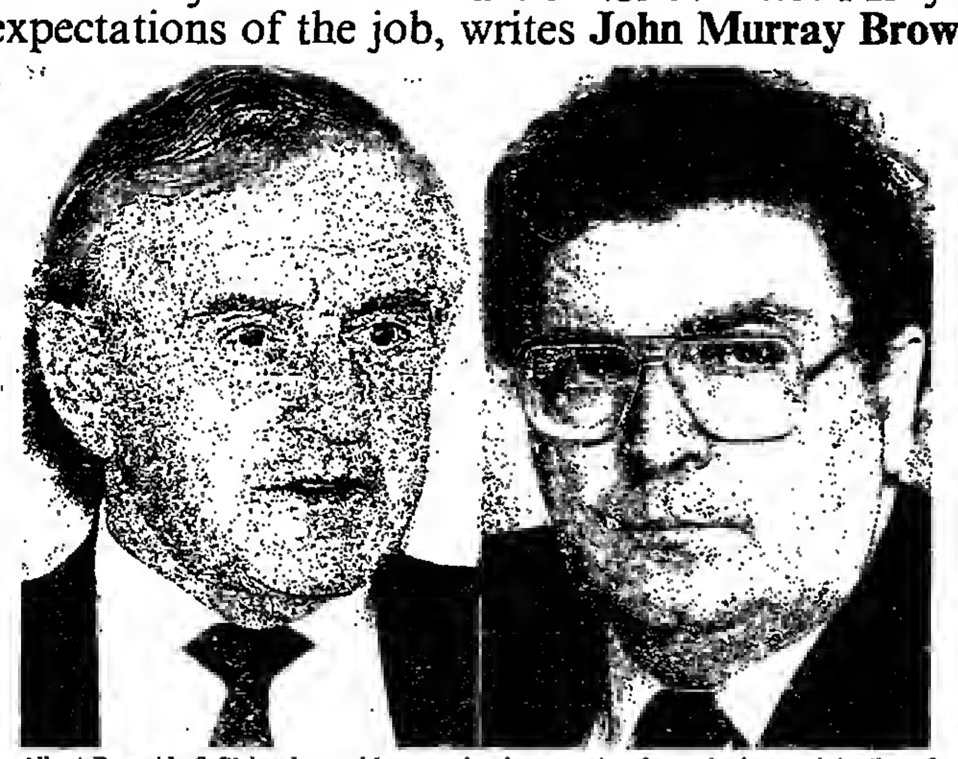
Bertie Ahern, the prime minister, can ill afford another setback, which could reflect badly on Fianna Fail's delicate parliamentary position, where it is in a minority coalition with the right-of-centre Progressive Democrats and a handful of independents.

The parliamentary party is due to meet early next montb, with nominations due at the end of September, for the election on October 30.

So far Albert Reynolds, the former prime minister, has thrown his hat in the ring, as has the Fianna Fail veteran Michael O'Kennedy.

A former justice minister, Maire Geogbegan Quinn, is also said to be considering a move.

For the main opposition Fine Gael party, Avril Doyle, a junior minister in the last government, bas declared an interest, together with Mary Banotti, an MEP and sister of Nora Owen, the party's deputy leader.



Albert Reynolds (left) bas begun his campaign in earnest and says he has no intention of standing aside if John Hume (right) puts his name forward for president

The Labour party has still to put anyone forward, although a former minister of culture, Michael Higgins, is said to be considering standing.

A nomination is still in tbe gift of the main parties. To run, a candidate requires the backing of 20 members of parliament or four county councils.

This precludes many from entering the race – and is given as tbe main reason why Dana, tbe pop singer wbo won tbe Eurovision Song Contest in 1970, may not gain enough support.

But the problem for all the parties is that after Mrs Robinson the electorate's expectations of the job have been raised.

It is no longer enough for the parties to see the presidency as a sinecure for their retired elder statesmen. Mrs Robinson transformed the role, capturing the mood of change.

Michael Laver, professor of political science at Trinity College in Dublin, says that at the last election the parties were "beating the bushes" to find suitable candidates. On this occasion, candidates are being sought for the first time from outside the party system, he says.

Seamus Heaney, the poet, was mentioned at one stage, as was Peter Sutherland, a former bead of tbe World Trade Organisation. Neither has indicated an interest in the joh.

A figure less well known internationally is Adi Roche, an aid worker who runs a project to help children affected hy the Chernobyl nuclear disaster.

Mr Ahern's preferred option is to persuade John Hume, the Northern Ireland politician and an architect of the Ulster peace process, to stand. His candidacy would avoid the need for an election, and might foil Mr Reynolds, whom most polls suggest might lack sufficient support outside the core Fianna Fail vote to win.

Mr Hume has indicated he will stand only if he is an agreed candidate, apparently anxious not to get drawn into Fianna Fail politics.

However, party strategists appear not to have taken into account the determination of Mr Reynolds to secure a job which friends say Mr Ahern offered him.

Mr Reynolds has now said he has no intention of standing aside if Mr Hume puts his name forward – which would probably force Mr Hume to withdraw.

The former prime minister, who was forced to resign over his bungling of an extradition case, has already written to all Fianna Fail members of parliament.

While most of political Ireland has been on holiday, Mr Reynolds has kept his name in the news, with appearances at one of Ireland's summer schools, and alongside Gerry Adams, president of Sinn Fein, the Irish Republican Army's political wing, at a Belfast arts festival.

The one way out for Mr Ahern is to find a third candidate who would have the stature to match Mr Hume and could secure enough support within the party to pip Mr Reynolds. One name now being canvassed is that of Ray MacSharry, the former EU commissioner.

Emu shadow over pension reforms

Joining the single currency will mean acceptance of strict constraints on budget deficits and public debt, **Bertrand Benoit** and **Matej Vipotnik** report

Tbe pressure to reform pensions in the new democracies of central and eastern Europe is growing, not just because tbe systems they operate are in danger of becoming ruinously expensive.

Reform is essential because, assuming these states enter the European Union early in the next century, they will bave to commit themselves to the goal of joining the single European currency. This will mean acceptance of the EU's strict constraints on budget deficits and public debt.

Despite high payroll contributions – 45 per cent of gross wages in Poland, compared with an EU maximum of 27 per cent in Italy – some pension authorities in central Europe are facing chronic deficits, forcing governments to subsidise benefits.

Under the generous Polish system, the national pensions authority, ZUS, absorbs 15 per cent of public expenditure each year. In Hungary, social aecurity shortfalls under the existing regime could reach 4 per cent of gross domestic product within 20 to 30 years.

With fiscal deficits of 3.5 per cent of GDP, both countries have been looking at ways to stabilise their social aecurity spending.

Hungary raised the retirement age and expanded tbe contrihution base. But other limited measures can have negative effects: in Poland, where nominal payroll contributions were increased by 10 per cent over two years, tax evasion is rife.

This year, botb countries initiated a comprehensive overhaul of their pension systems, following 1994 World Bank guidelines. The state systems will be gradually reduced to become responsible solely for managing the redistrihution of benefits. Privately run mandatory and voluntary funded scbemes will receive a portion of the contributions and supplement this basic safety net.

The projects aim at establishing a sustainable scheme, thus limiting the need for governmental financing. The transition, however, entails a temporary cost surcharge which will raise public expenditure in the short term. This is because governments remain responsible for pensions liabilities accrued under tbe old regime while contrihutions are trimmed.

In addition, the newly created private funds need capitalisation. Plans to cover the transitional costs hy a bond issue, as in Hungary, will considerahly raise public deht. This will make it more difficult to attain tbe Maastricht criteria for joining European mooetary union.

The Polish government plans to cushion the fiscal impact of the reform by capitalising tbe funds with privatisation receipts and the transfer of state assets. "The receipts, added to the sevings allowed by the reform of the old state pillar, will allow us to cover the cost of accrued liabilities," said a Polisb government official.

However, some experts argue that building the system on future privatisations is hazardous, since tbe general election on September 21 may yield a majority hostile to the reform.

The deficit of the ZUS is expected to peak at $1bn for five consecutive years after the implementation of the multi-pillar system.

The European Commission recognises the temporary destahilising effect of state-run pension system reforms on the fiscal balance of eastern European countries, but maintains that these changes will help them join the EU.

"The priority is definitely on long-term adaptations," said João Vale de Almeida, a commission spokesman. "Satisfying tha Maastricbt criteria is not among the requirements for membership, and most countries will need more time to join Emu anyway."

Yet for tbose whose hudget deficits are above 3 per cent of GDP, this could mean a significantly longer spell outside the single-currency zone. "This sounds terrible," said the Polish official.

One EBRD expert expressed confidence that the EU would consider "the long-term advantage of those reforms, not just their immediate impact... As for increased indebtedness [caused by pensions reforms], it de facto represents the transformation of implicit pensions liabilities into explicit public debt."

This is the second of three articles on eastern Europe's pension problems. The first was published yesterday

EUROPEAN NEWS DIGEST

Germans agree student reforms

Germany's education ministry said yesterday it had struck a deal with the federal etates, or *Länder*, on university reforms designed to cut the time students spend studying and improve the international compatibility of qualifications.

The agreement follows long-running arguments about proposals for increasing the flexibility of higher education and reducing the average age of graduates. Roughly 10 per cent of German 29-year-olds are still in education.

The deal between the centre-right Bonn coalition and the *Länder* is a fillip for Jürgen Rüttgers, education minister, who last week complained there was "no longer a consensus" over education reform. Yesterday's proposals must be approved by parliament. But Jürgen Zöllner, spokesman for the opposition Social Democrat-controlled state of Rhinaland-Palatinate, promised constructive support "with the goal of a swift conclusion".

Under the proposals, the standard length of many courses would be cut by about a year to four or four-and-a-half years. Changes in content and the introductium of examinations earlier during studies could also cut the time spent at universities.

The proposals would also allow the awarding of internationally recognised "bachelors" and "masters" qualifications. *Ralph Atkins, Bonn*

■ RUSSIAN RANSOM

Chechens accused of kidnaps

Russian journalists recently released from captivity in Chechnya yesterday accused the Chechen government of being involved in their kidnapping, a charge which could undermine the fragile rapprochement between Moscow and the hreakaway region.

Igor Malashenko, president of NTV, the television company whose three employees had been held hostage, accused Vakha Arsanov, the Chechen vice-president, and another senior government figure of being involved in the "business" of kidnapping.

The influential television boss's allegations could create a new rupture in relations between Moscow and Chechnya, undoing the work of a friendly meeting between the Chechen and Russian presidents earlier this week. Earlier yesterday, President Boris Yeltsin said he was prepared to grant Chechnya even greater formal autonomy than Russia'a largely self-ruled autonomous republics currently enjoy. *Chrystia Freeland, Moscow*

■ GERMAN PRIVATISATION

Berlin utility sale approved

Germany's Cartel Office said yesterday that it would approve the sale of the majority of Bewag, Berlin'a publicly owned utility, to a German-American consortium after an agreement to alter the shareholding structure and voting rights.

The DM2.9bn ($1.58bn) sale of 43.8 per cent of Bewag to PreussenElektra and Bayernwerk of Germany and Southern Company of the US had been criticised by the Cartel Office on the grounds that it gave PreussenElektra, which has stakes in electricity suppliers just outside Berlin, a dominant position in the regional market.

After talks with tha Cartel Office, PreussenElektra, part of the Veba industrial group, will in future hold 23 per cent of Bewag, up from the 10 per cent it has now hut less than the 25 per cent it originally wanted, and its voting rights will be reduced to 20 per cent.

The consortium has also agreed to drop plans for unanimous approval of board decisions in favour of majority voting, to remove PreussenElektra's right of veto.

Bayernwerk will hold 25 per cent, up from its present 10 per cent stake, while Southern Company will hold 20.8 per cent. *Frederick Stüdemann, Berlin*

■ ITALIAN CRIME

Price of the Mafia

Italy's small businesses are forced to pay the Mafia some $12bn a year in extortion and loan-shark rackets, almost the amount the government wants to cut from its budget deficit, the Confesercenti organisation, which represents shopkeepers and retailers, said yesterday.

A study by the group pointed to a "'parallel state' that uses its own collection system... Organised crime is a real regime that imposes its taxes, offers its services – such as protection and loans – and dictates its rules without any qualms about punishing those who do not want to respect them."

The study said Italy's shopkeepers and small businesses pay out L15,000bn to loan sharks and some L7,200bn in extortion rackets. The total of L22,200bn ($12bn) is just short of the L25,000bn the government wants to trim from its 1998 budget deficit.

The Mafia and its affiliates throughout Italy employ an army of some 25,000 loan collectors, known as *strozzini*, literally stranglers, the study said. *Reuters, Rome*

■ GERMAN CODE

Takeover rules tightened

German companies which do not sign the country'a voluntary takeover code will not be eligible to have their shares admitted to the main stock exchange indices from next year. The move is aimed at developing a stronger takeover culture in Germany, where a number of top listed companies have still not signed the code, which came into effect in 1995.

Deutsche Börse, which runs the Frankfurt securities exchanges, said admission to the Dax blue chip index and the MDax (covering shares below the top 30) would depend on companies accepting the code. However, this would not affect those whose stocks were already in the indices and which had not signed the code. Most Dax companies have signed, the exceptions being Hoechst, BMW, Volkswagen, Viag, RWE and Bayerische Hypotheken- und Wechsel-Bank. Only half of the 70 MDax companies have signed.

Yesterday's decision follows government hints that legislative action might be needed if not enough companies signed the code. But it does not meet the objections of those wanting the code to be strengthened. DWS, Germany's largest mutual fund company, owned by Deutsche Bank, called the move "a useful but small step in the right direction". *Andrew Fisher, Frankfurt*

■ GERMAN WINEMAKER

Death after bankruptcy

Count Erwein Matuschka Greiffenclau, one of the best-known German winemakers, was found dead from a gunshot wound yesterday, one day after his family-run business declared bankruptcy. He was 59.

Police said he had apparently shot himself in the head with his 9mm pistol. Mr Matuschka's body was found on a bench about 200 metres from his Schloss Vollrads property in Rheingau, the Rhine valley wine-growing region west of Frankfurt. Police found a farewell letter will at his home.

The Matuschka vineyards have been in the family for 27 generations. Over the past three years, however, the business fell an estimated DM20m ($11m) into debt, and Matuschka declared bankruptcy on Monday. In addition to the Vollrads castle, Mr Matuschka owned the Graues Haus restaurant in Oestrich-Winkel on the banks of the Rhine. *AP, Wiesbaden*

NEWS: THE AMERICAS

Foreign companies' operations pay $10bn as economy improves

Subsidiaries' taxes jump in US

By Nancy Dunne in Washington

US subsidiaries of foreign companies, benefiting from the strength of the US economy, have been paying record levels of federal taxes, according to a study of US tax data.

Subsidiaries paid $10.1bn in federal taxes in 1994, the most recent year available, a 24 per cent rise over the previous year – which is twice the rate of increase of US companies.

The study was commissioned by the Organisation for International Investment and carried out by Barents Group, part of the accountants KPMG Peat Marwick.

"Over the years, many people have voiced opinions that US subsidiaries weren't paying their fair share," said Julie Guarino, vice-president of taxes at the US subsidiary of ABB, the Swiss-Swedish power group which is a member of the organisation.

"We started analysing what the IRS [Internal Revenue Service] has, and the information clearly indicates that US subsidiaries are paying taxes relative to the income they are earning. The point is that dramatic income gains have led to record high tax payments."

In 1994 tax payments from anbsidiaries rose by $1.9bn over 1993, as the US economy continued to recover from a 1991 recession which hurt foreign-owned companies far more than US companies, according to Mr Linden Smith of Barents Group.

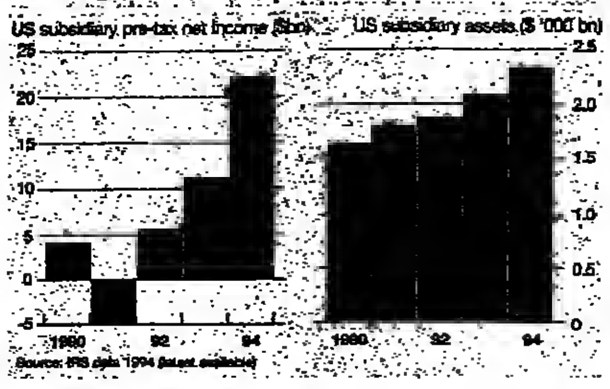
Foreign companies nearly doubled their pre-tax earnings in 1994 to $21.9bn. This was an increase from $11.2bn in 1993. Net income in 1993 was also about double the amount reported in 1992.

The upward trend in tax receipts follows $6.1bn paid during the 1991 recession and $7.1bn paid in 1992. Taxes paid by manufacturing subsidiaries increased by 38 per cent in 1994. Payments from the wholesale trade sector rose by 29 per cent.

Tax receipts from finance, insurance and real estate fell by 10 per cent.

Foreign companies bave been accused by the IRS of improperly accounting for the prices of assets transferred between parent companies overseas and their US operations. However, tax records show subsldiaries have been building up their aesets much faster than domestically owned companies, Mr Smith said. In 1994, subsidiary assets were 10 per cent of all assets of US companies, and increased by 12 per cent over the previous year to $2,300bn. Assets grew 11 per cent in 1993 and 3 per cent in 1992.

Strong economy boosts subsidiaries



Source: IRS data 1994 (latest available)

The largest increase in assets – 14 per cent – was recorded in the finance, insurance and real estate sectors. Manufacturing assets rose by 10 per cent and wholesale trade, by 9 per cent.

● The US Commerce Department said housing starts were unchanged in July, as construction showed signs of levelling off from a boom pace earlier in the year, Reuters reports from Washington.

Total starts in July were at a seasonally adjusted annual rate of 1.45m, unchanged from June when starts increased by a revised 3.2 per cent from May.

Shuttle lands with ozone layer data

The space sbnttle Discovery toocbed down in Florida yesterday (pictured left) with a satellite carrying a bounty of data abont the bealth of Earth's protective ozone layer, Reuters reports from Cape Canaveral.

Cradled in the sbnttle's cargo bay was an ozone-monitoring satellite, bolding enongh atmospheric data to fill a half ton of computer floppy discs.

The German-built spacecraft flew free of the shuttle for nine days and took nearly 50,000 atmospberic measurements to aid scientists studying the depletion of the ozone layer.

The satellite also provided evidence to support a controversial theory that the Earth is being bombarded daily by thousands of house-sized, water-laden comets.

The threat of fog had delayed by a day the homecoming of Discovery and its crew of six, hut the weather co-operated for the sole landing opportunity yesterday. Picture: Reuters

UK to support islanders who leave

By David Wighton in London and Canute James in Kingston

The British government was last night preparing a funding package to support a voluntary evacuation of Montserrat, the Caribbean island devastated by volcanic eruptions.

The government, which has been accused of neglecting its responsibilities to its dependent territory, is expected tn offer financial assistance for resettlement of any of the island's remaining 4,000 inhabitants.

The move has been prompted by scientific evidence that the island's volcano could be on the brink of a huge eruption. Clare Sbort, tbe international development secretary, said a voluntary evacuation would start today.

"People will be housed temporarily on Antigua and then we will provide assistance to eltber come to Britain or to settle on a neighbouring island or elsewhere," she said before the governmeot announcement.

Meanwbile, police with riot shields broke up demonstrations on Montserrat against crowding in sbelters. Some roads were blocked by demonstrators after Bertrand Osbourne, the chief minister, refused to give details of the evacuation programme.

Mr Osbourne promised Montserratians they would be told late yesterday. He said there was no need for a complete evacuation of the island. "We don't think so or we don't hope so. We haven't been advised that we have to do that or that has become necessary."

He said the voluntary evacuation was suggested because of a shortage of space. The 4,000 of an original 11,000 Montserratians are living in temporary shelter in the undeveloped northern third of the island. "If we had room in the north for all those persons who need shelter we would not have had to ask for a voluntary evacuation," he said.

A British warship is anchored off Montserrat to help those wanting to leave. Neighbouring Antigua, which has given shelter to about 3,000 Montserratians and is expecting more, says it needs help from Britain.

"The impact of the Montserratians who have come to Antigua is similar to the effect on Britain if 1.7m people were to arrive overnight, and this has been causing a problem," an official said. "We are willing to help, hut those Montserratians in Antigua already are straining our social services."

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LCI accuses Ameritech over contracts

By Nikki Tait in Chicago

LCI International, one of the newer telecoms companies in the US, yesterday filed a formal complaint against Ameritech, claiming that the larger Chicago-based local carrier was "locking its business customers into long-term contracts" and preventing them from choosing LCI as an alternative service provider.

The complaint, filed with Michigan Public Utilities Commission, the state-based regulatory body, related to local business customers in Michigan. Michigan is one of Ameritecb's five core states, where until recently it had a monopoly on local calls.

The LCI protest came just hours before the Federal Communications Commission was due to release its decision on whether Ameritech sbould be allowed to compete for long-distance business in Michigan.

Under the 1996 Telecommunications Act, local carriers in the US are to be permitted to sell long-distance services but only once they have opened up their local markets to competition. Ameritech claims to have done this in Michigan and Illinois, and is seeking permission to enter tbe long-distance market in both states.

However, Ameritech's competitors complain that the Chicago carrier has not met its obligations, and that there is less than full freedom of entry into its former local call markets.

In a statement yesterday, Virginia-hased LCI, which started competing for local business in Michigan earlier this year, eaid: "The Telecommunications Act of 1996 was supposed to provide local phone customers with choices leading to lower prices. Little did we know monopolists like Ameritech would employ so many anti-competitive tactics."

Its complaint centres on Ameritech's "ValueLink Calling Plus" plan, which LCI alleges locks customers into contracts which are difficult or expensive to terminate. LCI cited the hypothetical case of a customer billing about $200,000 a year under a three-year ValueLink plan, who could be required to pay up to $400,000 if he or sbe wished to switch to LCI for local service after one year. Alternatively, LCI might be required to assume that liability.

LCI said it was seeking an order which would allow ValueLink customers to maintain tbose services without termination penalties if they switched local service providers, and would release LCI from any ValueLink contracts which it had assumed for customers since it began reselling local services in Michigan.

There was no immediate comment from Ameritech on the LCI complaint.

Delay for Chile tariff cut plans

By Imogen Mark in Santiagn

The Chilean government's plans for a two-stage reduction in import tariffs, from the current 11 per cent down to 8 per cent, have stalled over disagreements with the main opposition party, Renovacion Nacional.

All legislation requires the support of the opposition parties, who have a de facto majority in the Senate (a legacy from the days of the military dictatorship).

The proposals have been under discussion since early this year, and Eduardo Aninat, finance minister, had been expected to send a draft bill to Congress with his proposals in the next few weeks. The plan was to cut two points immediately, and a further point within six to seven months.

The measure is widely supported by exporters, who welcome the prospect of cheaper imports to help soak up the high inflow of foreign currency which bas kept the value of the peso high.

However, the government estimates tbat the lower dnties would reduce its revenues by some $420m. The ministry had put together a package of measures to compensate, and Mr Aninat was proposing to raise petrol tax, increase the stamp duty on consumer borrowing, reduce the tax relief to exporters on imported inputs, and tighten up on tax evasion.

But the RN leader, Senator Sebastian Piñera, says the propoeals mean "an avalanche of taxes [which would raise] close on $900m extra a year and hit the middle classes and the poor".

His party would accept some tax increases, he said, but it was demanding other measures as well, specifically in pnblic spending cuts. The government has consistently resieted any, and the issue bas become a subject of ldeological rather than economic debate.

Brazil's new man is the Real thing

Rising star at central bank is proponent of strong currency, reports Geoff Dyer


Franco: guardian of foreign exchange policy

Perhaps it is the boyish looks, or maybe the occasional, half-hearted attempt at a beard, or even the slight hint of a glamour in his lifestyle, but Gustavo Franco does not come across as a natural central banker.

However, in choosing the 41-year-old Mr Franco to be the new head of Brazil's central bank, a position which holds considerable influence over economic policy, Fernando Henrique Cardoso, the president of Brazil, has sent out two strong messages.

The appointment of the pugnacious Mr Franco shows that Mr Cardoso intends to stick with the current stance of tight monetary and fiscal policies and a strong currency, despite the pressure from some quarters nf the government for a more expansionist economic policy.

Mr Franco's elevation to the presidency of the central bank, which he takes up today, also proves that the former economics professor from Rio de Janeiro's Catholic University is very much one of the rising stars of the Brazilian political world.

The comparison has been made with another young Harvard-educated economist turned policymaker, Lawrence Summers, deputy US Treasury secretary.

It has been a rapid promotion. Mr Franco moved into government four years ago as one of a group of talented economists who drew up the plan for a new currency, the Real, which was launched in July 1994. His boss at the time was Mr Cardoso, then Brazil's finance minister.

However, while most of the other authors of the Real plan soon departed for more lucrative pastures in the private sector, Mr Franco remained in Brasília, working as the central bank's director for international affairs.

Since Brazil's return to the international capital markets last year, he has spent a large part of his time touring the world's financial centres as the Real plan's chief salesman, promoting a series of eurobond issues. In the process, Mr Franco has belped win the respect of international investors for Brazil's economic management.

Mr Franco's other main role has been as the guardian of Brazil's foreign exchange policy of gradual depreciation against the US dollar, within tightly controlled bands.

Given that the Real ls anything from 5 to 30 per cent overvalned, the policy bas not been to everyone's taste and has made Mr Franco the occasional target of public rebukes. At times the barbs have been spiced with references to his diminutive stature.

Through all the claims and counter-claims, Mr Franco has displayed the insouciance of a man confident be is right. Charming and ironical to some, he has strong self-belief which leads critics to label him arrogant.

At weekends Mr Franco retreats tn his native Rio, where ha enjoys the spectacular sea-view from his luxury São Conrado apartment and reads and writes in bis library. (The family fortune runs to several million dollars, including a number of flats around the city.)

Displayed recently in several Brazilian magazines, the opulent and intellectual lifestyle provided furtber ammunition for supporters, who admire his independence of mind, and detractors, who decry his aloofness.

Given Brazil's history of economic instability, the presidency of the central bank has been something of a hot seat. The 25 months spent in the job by Gustavo Loyola, who resigned at the end of July for personal reasons, made him the longest serving president in over a decade.

Mr Franco is taking up the reins at the beginning of what promises to be a tense year for the Real plan.

Tha run-up to next October's presidential elections is expected to intensify the debate within the government over economic policy.

A faction led hy Sérgio Motta, communications minister, and José Serra, former planning minister, has pushed for a more expansionist policy, against the opposition of Mr Franco and Pedro Malan, the finance minister, who have advocated the maintenance of fiscal and monetary austerity.

Mr Franco and his allies won an important set-piece battle last mooth when Mr Cardoso announced that all proceeds from privatisations should go to paying down government debt – Mr Motta had called for a part to be directed towards infrastructure projects.

However, when election pressures begin to build up next year, and with Brazil's current account deficit expected to expand, lt le likely the calls for a substantial devaluation of the Real will grow.

This will be the main challeoge for Mr Franco and the rest of the economic team: gradually to depreciate the currency to relieve pressure on exporters, while maintaining confidence in the anti-inflationary approach and preventing a speculative onslaught on the Real.

In an indication of how the government might try to present economic policy in the coming months, Mr Franco was keen to stress at his Senate confirmation hearing last week that Brazil does operate a "flexihle" exchange rate system, and not a fixed "currency board" as in Argentina.

Mr Franco's other main challenge will be more personal – to show that he is as adept a politician as he is an economist. His frank public statements have sometimes lacked the finesse of a more practised politician, notably when he was quoted as saying that businesses should move to the north-east because of the cheap labour to be exploited.

If he can smooth these edges, there are few limits to where he might go. After all, friends of Mr Malan, who was central bank president before moving to the finance ministry, say he has long hankered after the top job at Brazil's foreign ministry.

NEWS: INTERNATIONAL

Unita rebels face threat of UN sanctions

By Barnaby Phillips in Luanda

The United Nations is considering imposing eanctions against Angola's Unita movement because of its failure to implement the 1994 Lusaka peace accords.

A report from the UN secretary general, Kofi Annan, to the Security Council says that peace in Angola is gravely threatened by renewed tensions between Unita and the Angolan government, and recommends that the withdrawal of UN peacekeepers be suspended for at least six weeks.

UN officials are exasperated by Unita's refusal to disarm and demobilise its forces, and its reluctance to hand over to the Angolan government the territory it cootrols.

Officials involved in the Angolan peace process are considering punitive measures against Unita such as travel restrictions on Unita leaders, closing Unita offices in Europe and North America, and freezing Unita's foreign bank accounts.

But diplomats in Luanda are sceptical about wbether these measurea can be enforced. "There has been a fuel and weapons embargo on Unita ever since 1993, but it has been flegrantly violated," said ooe. UN officials believe that up to 40 illegal flights, run by private companies based across southern and central Africa, land in Unita territory every week.

"Unita's bold over Angola's diamond reserves makes it very difficult for anybody to control wbat they do," admits an Angolan government minister. Unita is believed to earn about $500m a year from diamond exports.

Unite bas agreed some concessions, offering to hand over some strategic areas in the north of Angola in coming weeks.

Mr Annan streaaes the importance of a direct meeting between the Unita leader, Jonas Savimbi, and the Angolan president, Jose Eduardo dos Santos. A senior Unita spokesman, Abel Cbivukuvukn, says "tbese two men are best qualified to make a decision on the future of Angola's diamond reserves".

Unita bas argued in the past that the Angolan government's control of oil income makes it imperative for the former rebels to have a guaranteed revenue of its own from diamonds. "The government is making more and more money from oil, and we need to compete with them," says a Unita official.

The French company Elf Aquitaine yesterday announced the discovery of a potentially buge oilfield in Angolan deep waters. The field, named Dahlia, is close to the Girassol oilfield, discovered by Elf last year. "It is too early to put a figure on it, but we are confident that it is big, and we hope it is even bigger than Girassol," said Elf's deputy director in Angola, Bernard Astier.

President arap Moi yesterday denounces the tribalism he says is to blame for seven days of violence in Kenya *Reuters*

Death toll climbs as Kenyan violence spreads to the north

Two people were killed yesterday and more than 100 curio stalls set ablaze in the Kenyan seaside resort of Malindi, 120km north of Mombasa, Renter reports from Mombasa.

It is the first time Kenya's aeven days' violence bas spread so far north, and the first attack on a tourist site in that time.

The deatb toll in the coastal region bas now reached at least 37. Hassan Haji, deputy commissioner of Kenya's Coast Province, said in Mombasa that police were treating the fires as "a criminal act" by people taking advantage of the violence farther south. No tourists have been injured in the violence, but foreigners have been advised by their governments to avoid trouble spots.

The US government has warned its citizens not to travel to the coast. "Tbe Department of State recommends that American citizens avoid travel to the coastal province of Kenya, including the city of Mombasa and its suburbs," e US government statement said.

"Residents and visitors in the Mombasa area are urged to take the highest security precautions. Travel to Mombasa and the eurrounding areas should be avoided until the eituation has stabilised."

Malindi is a centre favoured by Italian tourists and expatriates, who own bomes and businesses such as restaurants in the area.

Mr Haji elso said 150 people armed with bows and arrows and assanlt rifles had attacked e seven-man police patrol in Mtwapa just north of Mombasa yesterday. In an exchange of fire, police shot dead one of the attackers.

Also yesterday, vigilantes killed a man in Kitaruni, 9km north of Mombasa, when he tried to burn down a house. Five people were slashed with machetes at Ntopanga wben tbngs burned three homes and attacked the owners.

Several political activists bad been among those arrested in a hunt by police, the army and the navy, Mr Haji said. An official with President Daniel arap Moi's ruling Kenya African Netional Union (Kanu) party was in custody and being questioned. The official would be charged if be was found to have been involved in the well organised violence.

Security sources said the man was linked to a Coast Protective Gronp which seeks to keep land for local people. Many of the Kenyan dead were originally from outside the coastal region.

Tourist officials said holiday cancellations were increasing. An official with Abercrombie and Kent, the tourism company, said they had received 58 cancellations for holidays on the coast so far this week.

INTERNATIONAL NEWS DIGEST

Nigeria seeks refinery aid

Nigeria's military government has asked Total, tha French oil company, to run the Kaduna Refinery and Petrochemicals Company in the north for three years, state radio reported yesterday.

It said the work was valued at between $160m and $220m, and included the cost of maintenance of the facility.

Total said in Paris that it was in talks with Nigeria to offer technical assistance for the refinery but that no contract had been signed.

Total's Nigerian subsidiary was last month appointed a consultant on downstream operations in the oil industry, the failure of which has led to severe fuel shortages.

The failure of Nigeria's four poorly-maintained refineries to work close to their designed capacity of 445,000 barrels per day, as well as problems with the distribution network, has led to bouts of fuel scarcity which paralyse Africa's biggest crude oil producer for weeks at e time. *Reuter, Lagos*

■ TAJIKISTAN REVOLT

Rebel warlord takes flight

Tajikistan said yesterday it had crushed a mutiny in the south of the country and that the rebels' leader, Colonel Makhmud Khudoyberdyev, appeared to have fled to neighbouring Uzbekistan.

"According to our unconfirmed reports, Khudoyberdyev and up to 40 of his men crossed into Uzbek territory overnight ... The rebel forces have been completely routed," said Zafar Saidov, spokesman for President Imomali Rakhmonov.

"The Tajik government hopes that, if this report proves correct, the Uzbek leadership will honour its earlier commitments and will seize Khudoyberdyev and his followers and send them back to Tajikistan," Mr Saidov said.

The rebels had broken up into small bands and were hiding in the mountains. The latest turmoil to rock the impoverished former Soviet republic began with clashes in Dushanbe between competing warlords and presidential forces on August 9 and Mr Khudoyberdyev began moving his brigade towards the capital.

The apparent defeat of the rebels comes several weeks after President Rakhmonov, who is backed by Moscow, signed a peace accord with Islamic guerrillas aimed at ending four years of civil war. *Reuters, Dushanbe*

■ PALESTINIAN AID

Mubarak transfers $10m

Hosni Mubarak, Egypt's president, yesterday ordered the immediate transfer of $10m to Yassir Arafat's Palestinian Authority, which is hard hit by Israeli sanctions.

Israel agreed on Monday to release $30m out of $70m in taxes and customs which Benjamin Netanyahu, Israel's prime minister, had refused to hand over to the Palestinian Authority since July 30.

Mr Netanyahu froze the funds as one of a number of sanctions on the Palestinians, demanding that Mr Arafat launch a crackdown on Palestinian radicals such as those behind the July 30 suicide bombing which killed 16 in Jerusalem.

Mr Arafat on Monday, in a veiled criticism of Gulf states, berated three unnamed Arab countries which have refused to unblock $1bn in Palestinian assets frozen since the 1991 Gulf War. *AFP, Cairo*

Mir crew attempt to patch up broken computer

By Clive Cookson, Science Editor

The two Russians and ooe American on board Mir spent yesterday trying to restore the space station's computer system that crashed on Monday.

The crew made some progress – replacing an apparently faulty computer board and feeding in data – and officials at Mir mission control near Moscow said tbat if all went well, they would try to switch the main system on again today.

The computer needs to work properly if tbe space station is to maintain its precise orientation to the sun, so that the solar panels can generate electricity. Since the failure on Monday, the crew has been operating on minimum power supplied by batteries.

But yesterday the crew did succeed in using thruster motors on the Soyuz escape capsule, which is attached to Mir, to orient the station roughly with the sun and begin to recharge the batteries.

If the computer returns to normal operation today, the two cosmonauts, Anatoly Solovyov and Pavel Vinogradov, expect to carry out e critical "internal space walk" before the end of this week.

They will attempt to reanter the depressurised Spektr laboratory that was damaged in a collision with an unmanned supply ship during a docking exercise on June 25, in order to reconnect essential power cables.

Reuter adds from Moscow: Viktor Blagov, deputy flight chief at Mission Control just outside Moscow, complained yesterday that a lack of cash was behind Monday's computer crash as Russians had to use Mir equipment until it virtually falls apart.

"We are saving a lot of money on this scheme, but we really have to decide soon whether we need safety or money-saving," he said. The faulty computer unit had not been changed for almost 11 years, Mr Blagov said.

NEWS: WORLD TRADE

More winners emerge in Three Gorges scramble

Third consortium has secured a share of huge contracts for generating equipment in China

By James Harding in Shanghai

ABB Power Gen of Switzerland and Kvaerner of Norway emerged yesterday as the third European consortium to win e substantial contract to supply power equipment to China's Three Gorges dam, the world's largest hydroelectric project.

The China Three Gorges Project Corporation, whicb is overseeing the construction of the dam on the Yangtze river, decided last week to distribute the bulk of the estimated $807m contracts to European companies, but has required the winners to keep their specific awards confidential.

Confusion has surrounded the final stages of the award of contracts. Chinese officials have refused to release details of tbe contracts, which tbey said would be "finalised" only once the signing ceremony was completed next month. They said yesterday that selection of the power equipment suppliers had been conducted on a "strictly technical basis".

In spite of earlier fears within tbe ABB-Kvaerner consortium that it might not win a large contract, it is understood that ABB Power Gen has been selected to provide eight generators worth $240m-$300m.

As well as ABB's contract, Kvaerner is in discussions to produce an undisclosed number of turbines for the project.

It has also emerged that General Electric of Canada had secured a substantial share of the contract awarded to its consortium, which was led by Siemens of Germeny and includes Voith. The three companies together will provide six of the 14 power units required. The 700MW power units include both the generators and the turbines.

GEC-Aistbom, tbe Anglo-Frencb group, has signalled it will play a leading role in the project by participating in construction of eight power units. GEC-Alstbom officials declined to comment yesterday. But it is thought thet GEC-Alsthom, which had received strong eupport for its bid from French President Jacques Chirac when he visited China earlier this year, will provide up to eight turbines with the possihility of subcontracting part of the order.

In Beijing, representatives of the participating companies declined to comment on the agreements yesterday, fearing that a breach of the confidentiality clause could jeopardise their contracts.

The deats have heen fiercely contested, as contractors hope that the provieion of mechinery in the first stage of construction will open the doors to further Chinese orders. The contracts decided behind closed doors last week are for the first 14 power units, hut 26 will be needed in all.

The Three Gorges project, which will create a reservoir 600km long and force relocation of 1m people, bas caused widespread concern among environmental groups. It is due to be completed in 2009, when it will provide roughly one tenth of China's electricity output.

Kvaerner results, Page 11

Poor market is blamed on restrictive policies by governments preparing for monetary union

European building equipment recovery fades

By Peter Marsh in London

Next year's envisaged recovery in the west European construction equipment industry will be much weaker than expected, mainly as a result of problems in the German building industry.

The German construction slowdown is bolding back sales of machines in Europe's biggest market. According to forecasts from Off-Highway Research, a London based consultancy, the restrictive economic policies of European governments preparing their countries for a single currency are behind the current weak demand for construction systems.

The consultancy reckons the number of sales of equipment such as excavators will rebound by just 1 per cent next year across western Europe, after a 5 per cent fall this year. In forecasts in Marcb, tbe consultancy tbought sales next year would be up 5 per cent on this year.

Germany, which accounts for just over a quarter of the construction machinery market in western Europe, is facing some of the worst conditions, according to Off-Highway Research. Sales of most types of machines are expected to fall about 10 per cent this year, with only a 2 per cent upturn next year.

Construction equipment represents one of Europe's most important engineering industries, with sales put at $15bn-$20bn a year.

Companies with large production bases in Europe include Caterpillar of the US, Jepan's Komatsu, Sweden's Volvo and JCB of Britain.

Demand for construction systems is linked directly to the progress of large government-funded infrastructure projects, as well as to the private bousing market. The link with government policies means the construction machinery industry has been among the worst hit by tightening public spending budgets.

Reining in public spending projects not only "bas a materially depressing effect on demand, it also has a severe impact on business confidence and the propensity to invest", according to Off-Highway Research.

According to the company, 93,729 construction machines will be sold this year in western Europe, 5 per cent down on the 98,506 last year. Next year the total will be 95,058, compared with the consultancy's March forecast of 97,515.

France and Italy are expected to record sales down 10 per cent and 5 per cent respectively this year. However, France is expecting a 9 per cent rebound next year, while Italy is likely to see another dip of 1 per cent.

Britain is the second biggest market in Europe after Germany, accounting for 19 per cent of the total. It will see a 6 per cent fall in demand this year followed by a 1 per cent rise in 1998.

The Construction Equipment Industry in Europe, available on subscription, Off-Highway Research, 7 Upper St Martin's Lane, London WC2H 9DL.

Warmer Iraq-Syria ties could lead to deal on closed pipeline

By Roula Khalaf and Robert Corzine in London

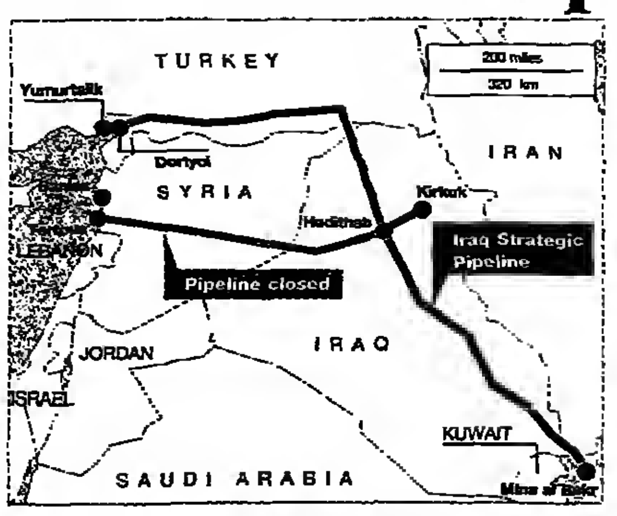
In e further easing of Iraqi-Syrian relations, discussions are under way that could lead to Iraqi oil being pumped through the long-closed Iraq-Mediterranean pipeline to the Syrian port of Tartous.

Mahdi Saleh, Iraqi trade minister, said in an interview published this week in the United Arab Emirates that Iraqi technicians were carrying out renovation and maintenance work on the pipeline, which runs from Kirkuk in Iraq to Syria. An Iraqi delegation had visited Tartous to examine its readiness to export oil.

The pipeline hes been closed since 1982, wben Syria sided with Iran in the 1980-1988 Iraq-Iran war.

The pipeline is unlikely, however, to be available in the short term to alleviate a growing export hottleneck for Iraqi crude at the Turkish port of Ceyhan and the Iraqi Gulf port of Mina al-Bakr.

These are the only two authorised outlets for Baghdad's oil under the United Nations-organised oil-for-food programme.



Western oil experts say the Iraq-Mediterranean line has been physically cut in places near the horder. There are also capacity constraints on the Syrian portion of the line used to transport oil from Syrian oil fields.

Although it could carry some additional volumes, there is insufficient capacity for large-scale Iraqi exports. "It could carry some more crude," said one expert, "hut it is close to its capacity."

Oil industry executives could not give an estimate of how much it might cost to rehabilitate the government-owned pipeline or how long it might take. "It would not be an overnight project," said one.

However, talk of rehabiliteting the line highligbts how relations between the two historical foes, run by rival branches of the Ba'ath party, have warmed in recent months, as Syria has sought to win a slice of the oil-for-food deal under which Baghdad every six months can sell $2bn of oil in return for food and medicine.

Syria is also eager to close Arab ranks – and include Iraq – in the face of tbe Israeli government's hard-line policies on the Middle East peace process and the freezing of Syrian-Israeli peace talks.

Iraq, meanwhile, is eager to expand trade relations with as many countries as possible.

Iraqi officials said the long-term objective was to develop trade relations wherever possible, in order to prove that the United Nations embargo imposed after Iraq's invasion of Kuwait in 1990 had become meaningless.

Borders between Syria and Iraq reopened in June for business travellers, following e trip by Syrian businessmen in which they won up to $20m in contracts to supply humanitarian goods.

Nearly three weeks ago, two buses began a shuttle service between Damascus and Baghdad and an official Syrian team was in Baghdad last week to discuss border demarcations.

Adnan el Kodsi, head of the federation of Iraqi industrialists, told al Hayat, a pan-Arab daily, this week that a political decision had been taken to give priority to deals with Syria under the oil-for-food agreement.

Branson warns Congressmen

By Charis Gresser

A delegation of US Congressmen started taking evidence from Mr Bob Ayling, chief executive of British Airways, in London yesterday over the airline's planned alliance with American Airlines.

The alliance – which its rival, Virgin Atlantic Airways, claims would give it more than 60 per cent of the UK-US market and 80 per cent of peak-time Heathrow slots used for North Atlantic services – is under investigation both by US regulators and the European Union's competition commission.

The 11 Congressmen from the Committee on Transportation and Infrastructure, also took evidence from one the alliance's sharpest critics, Richard Branson, founder of rival airline, Virgin Atlantic. They are due to meet the European Commission competition commissioner, Karel Van Miert, on Friday.

The committee will report its findings to the US department of transportation, which has jurisdiction over the proposed alliance.

Competition dacisions about the alliance have centred on how many take-off and landing slots at London's Heathrow airport the allied airlines would control.

The Office of Fair Trading in the UK has called on the two airlines to give up 168 runway slots. Bnt it is thought that the EU is setting a higher hurdle of up to 350 slots.

Mr Branson said that even if BA/AA were reduced to 50 per cent of slots, this might not be enough to satisfy him. "It's not just about slots. It's about their clout with the travel agencies, their clout with the frequent flyer programme. If this alliance goes ahead, there will never be another Freddie Laker or Virgin or a Caledonian setting up to fly across the Atlantic again."

Mr Branson has suggested to the European Commission that governments should auction slots in the same way as they do television or radio licences.

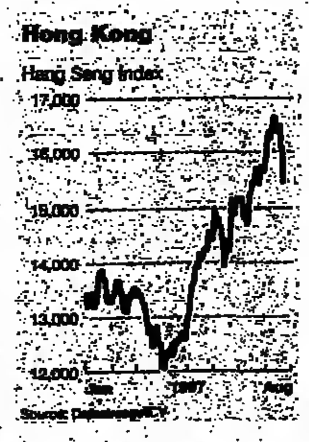
Mr Branson said yesterday: "If BA and American Airlines are allowed to get together, that will damage competition, fares will go up, the quality of service will go down. It is the merger from hell."

British Airways retorted that Virgin was "afraid of new competition".

NEWS: ASIA-PACIFIC

HK shares hit by speculation fears

By John Ridding in Hong Kong



Hong Kong shares fell sharply yesterday, plunging almost 4 per cent amid fears that south-east Asia's currency turmoil will lead to speculative assaults against the Hong Kong dollar.

The Hang Seng Index, the main benchmark for Hong Kong shares, fell 619.62 points to 15,477.26. The fall, the biggest since March last year, followed a decline of 2.4 per cent last Friday.

As the last Asian currency to be pegged to the US dollar, traders and economists believe the Hong Kong currency faces pressure. Few see any immediate threat to the currency link, bnt defence of the dollar and higher interest rates could hurt the banking and property sector.

Tung Chee-hwa, Hong Kong's post-colonial leader, said any speculative attempts against the currency would fail. He cited the strength of the economy and the size of the territory's foreign exchange reserves, totalling about US$80bn.

Mr Tung's comments underline the political support for the Hong Kong dollar peg following last month's resumption of sovereignty by China.

"If there is a choice between the currency and the stock market, then there is no contest," said Pauline Gately, regional strategist at BZW Asia. "There is no way they would let the peg come under question so soon after the handover."

Investment analysts warned that the increased interest rates needed to deter speculators would have a damaging effect. One-month rates climbed above 11 per cent, against 7 per cent last week. Overnight rates jumped from below 10 per cent to as high as 20 per cent in the morning, before falling to 8-10 per cent by the end of the afternoon.

Market analysts said the pressures came mainly from financial institutions anxious to obtain funds. "We did not detect moves by the Hong Kong Monetary Authority to push up rates," said Terence Lo, head of money markets at Standard Chartered Bank. Other traders said they saw no sign of speculation against the currency yesterday.

The increase in interest rates kept the currency relatively atable at about HK$7.7430 to the US dollar, stronger than the peg rate of HK$7.80 to the US currency set in 1983.

Banks and property shares were worst hit. HSBC, which went ex-dividend, fell HK$7.533 to HK$262. Cheung Kong, the property developer controlled by Li Ka-shing, lost HK$4.75 to HK$87.25.

Despite the nervousness in the market, most analysts underlined the difference between Hong Kong's circumstances and those of neighbouring aouth-east Asian economies.

"Hong Kong's reserves are about seven times the currency base, which is very strong for a currency board," Neil Saker, regional economist at Socgen Crosby, said. "If you edd in China's reservee, the figure is US$200bn."

Lex Comment, Page 10; World Stocks, Page 28

Malaysia skills shortage hits home

There is nothing new about manufacturers grumbling over Malaysia's labour shortage. They have done it for years. What is unusual is that the shortage has now become so acute that several companies are being forced to move production offshore.

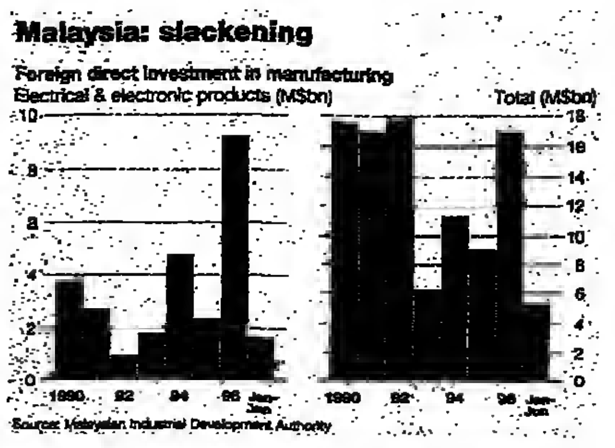
Philips Electronics, the Dntch company, said recently it would move its Meleysian activities to southern China in the first qnarter of 1998, affecting 1,500 jobs.

Matsushita, the Japanese consumer electronics giant, is moving an air conditioner factory to Indonesia, a company executive said. Sony of Japan is taking a "cautious" view on its Malaysian operations. Inventec a large Taiwanese employer, has moved most of its telephone assembly business to Chine and plans to move the rest later.

Even the Penang Development Corporation (PDC), a semi-official agency which seeks to attract investors to Penang – the "Silicon Valley" of Malaysia – is in negotiations to set up a joint venture industrial park near Medan, Indonesia.

"It is so that manufacturers can in the long term start moving their lower value-added operations from Penang to Medan," a PDC official said.

The outflow comes at an inopportune time for Malaysia. A hefty M$2.8bn ($1bn) trade deficit in June has brought the competitiveness of the country's electronics exporters into scrutiny.



The question of how much e 1.8 per cent increase in exports in the first half of the year reflects waning domestic competitiveness is seen as crucial to the future of the Malaysian dollar, which has declined by some 11 per cent against the US dollar since early July.

"Evidence of falling export competitivenees mekes people worry about large trade deficits, and a large trade deficit makes people sell the ringgit," said a Singapore treasury economist.

The effect of ringgit depreciation is, by and large, negative for electronics exporters in Malaysie, because most components are imported.

The weakened ringgit did mean sales could be increased by cutting prices, but the increase in revenues was typically not large enough to offset the higher import bills, industry anelysts said.

Another worry is that foreign investment into Malaysia appears to be slackening. Some M$1.67bn in foreign electrical and electronice investment was approved in the first half of this year, compared with a full-year figure of M$9.23bn in 1996.

Overall foreign manufacturing investment was M$5.37bn in the first half, against M$17.06bn in all of 1996, eccording to the Malaysian Industrial Development Authority.

The eubsiding investment interest appeared to be the result of both intensifying competition from other countries in the region and perceived problems in Malaysia, executives said. "It is not a question of it being difficult to find engineers in Penang. It is the problem that we sometimes cannot find the right kind of engineer," said e senior executive at Inventec.

Inventec, one of Penang's first investors, bas shifted two-thirds of its phone and calculator aesembly operations to China. The remaining third would be moved there by mid-1998, the executive edded. In an attempt to climb the value-added ledder, tbe company started to manufacture video-conferencing and screen-phone products but bas found this difficult because it cannot find enough skilled personnel.

An edded problem was that the average annual salary increase for engineers was about 15 per cent, higher than productivity gains, which rarely rise past 10 per cent, executives said.

Lee Ow Kim, chairman of the Federation of Malaysian Manufacturers in Penang, said consumer electronics manufacturing in general had an uncertain future in Penang. "For consumer electronics, especially the less competitive sectors of the industry, it is better to move out or upgrade."

But companies have been reluctant to see Penang or anywbere else in Malaysia as a suitable base for production of top-end products sucb as semiconductor wafers. Regular electricity blackouts, the rising cost of water, and road toll fees are some common complaints.

As a result Singapore, Malaysia's wealtby neighbour, has attracted the lion's share of south-east Asia'e bigb technology investment. This could change, but only if Malaysia can find a way out of what is starting to look like a medium technology trap.

James Kynge

ASIA-PACIFIC NEWS DIGEST

Lawyer grills Singapore PM

Goh Chok Tong, Singapore's prime minister, was subjected yesterday to tough questioning from George Carman, a top UK lawyer, in a high-profile defamation case against the city-state's leading opposition politician. Mr Carman, who represents Joshua Jeyaretnam, leader of the Workers' Party, said the suit brought by the prime minister and 10 other politicians was designed to oust opposition from parliament through legal action.

"This litigation is designed to bankrupt this man to keep him out of parliament," Mr Carman told the high court as he cross examined Mr Goh. Mr Jeyaretnam could be excluded from parliament if he lost the court action and was unable to pay damages, legal experts said. "One way of making a member of parliament bankrupt. . . is to use the heavy artillery of multiple actions to obtain massive damages," ha said. "Is that part of your strategy?" Mr Carman asked. Mr Goh replied that it was not. The prime minister and the other plaintiffs are being represented by Mr Thomas Shields in their assertion that Mr Jeyaretnam made defamatory comments during an election rally in January. One of the other plaintiffs is Lee Kuan Yew, senior minister in Singapore and the city-state's founding father. *James Kynge, Kuala Lumpur*

■ AUSTRALIAN CUSTOMS

Malaysian politician charged

A Malaysian politician was committed yesterday to trial in Australia on two customs charges. Mohammed Mohammed Taib, who at the time of the alleged offence was chief minister of the state of Selangor, is charged with making a false statement to customs when be entered Australia in December last year and of failing to declare the equivalent of A$1.26m ($940,000) in cash on leaving the country. It is an offence under Australian law to take more than A$5,000 in cash out of the country without declaring it. The cash, in Malaysian ringgit, was discovered by airport security when Mr Taib and his party were leaving the country. He was allowed bail until the case starts on August 25. *Elizabeth Robinson, Sydney*

■ PHILIPPINES TRADE

Export boost for Manila

The Philippine trade deficit for the first half narrowed from $6.05bn last year to $5.68bn, an improvement of almost 7 per cent, according to figures released yesterday. The figures, published as Manila ground to a standstill with heavy monsoon flooding, showed strong export growth of 22 per cent year-on-year to $11.7bn. Economists said exports are likely to improve further as e result of the recent weakness in the Philippine peso. Imports continued to grow at a slower pace, rising by 11 per cent to $17.3bn.

The US remained the top source of imports in June, accounting for 20 per cent of total shipments, with Japan close behind.

■ Net foreign investments in the Philippines in the first four months fell 80 per cent year-on-year from $825m to $166m, according to the central bank yesterday. The central bank said the large outflows of foreign money were explained by the recent lifting of the ceiling on foreign exchange transactions from $25,000 to $100,000. Net direct investment improved 13 per cent from $611m to $688m. The central bank said the investment picture would improve later in the year. A weaker peso is seen as attracting new inflows. *Justin Marozzi, Manila*

■ FOOD AID

Hanoi offers rice to N Korea

Vietnam, the world's third largest rice exporter, has offered famine-hit North Korea 10,000 tonnes of rice in food aid, Vietnam's official Communist party newspaper said yesterday. Nhan Dan (The People) said a decision to make the offer was taken early this month, but it gave no date for shipment. The move is seen as a gesture of solidarity by Hanoi, which ideologically backs Pyongyang, in spite of growing trade and investment links with South Korea.

In April, North Korea rejected a Vietnamese offer of 1,000 tonnes of rice in aid, after the two sides failed to agree the terms of a proposed shipment to Pyongyang of 30,000 tonnes on a commercial basis.

A commodities analyst in Hanoi said the World Food Programme (WFP) was considering buying 35,000 tonnes of Vietnamese rice for shipment to North Korea. Officials from one of Vietnam's biggest rice exporters, Vinafood II, confirmed negotiations. But a WFP official in Hanoi denied the organisation had any such plans.

■ Hard Rock Cafe, the American restaurant chain, is to open an outlet in Ho Chi Minh City in December. It joins Kentucky Fried Chicken of the US, Jollibee of the Philippines and Texas Chicken of Atlanta, which have all recently opened outlets in Vietnam. *Jeremy Grant, Hanoi*

A grandfather shading his grandson with an umbrella in a stream of refugees entering Thailand yesterday Reuter

Royalist forces in Cambodia take last stand

By Ted Bardacke in Bangkok

The last bastion of military support for Prince Norodom Ranariddh, Cambodie's ousted first prime minister, was under heavy attack late yesterday as troops controlled by the country's undisputed strongman, Hun Sen, bombarded O'Smach, a town on the north-west border with Thailand.

Defending O'Smach is an alliance of royalist forces supporting Prince Ranariddh and the Khmer Rouge, the movement responsible for the death of up to 2m Cambodians in the late 1970s. Tbe fighting has also sparked a new refugee crisis along the Thai-Cambodian border, with at least 20,000 civilians crossing into Thailand overnight.

At least 1,000 Khmer Rouge troops arrived from their jungle headquarters to assist royalist troops defending a small strip of territory aeparating Thailand and Khmer Rouge held areas. They did what they do best, laying thousands of deadly land mines and destroying bridges to slow advancing Hun Sen-backed forces.

The royalist and Khmer Rouge alliance could complicate Prince Ranariddh's efforts to win over the international community to put more pressure on Hun Sen and potentially to return to Cambodia.

The US and the UN has made it clear the Khmer Rouge should not be dealt with, in spite of a move by the group last month to oust its notorious leader, Pol Pot. And whila the Cambodian government has guaranteed the safety of Prince Ranariddh should he return to the country – which member countries of the Association of South-east Asian Nations (Asean) have been trying to negotiate – it continues to insist that he must stand trial for having contact with the Khmer Rouge.

Prince Ranariddh defended his alliance with the Khmer Rouge, saying thet he had completed a peace deal with the group that was in the works before Hun Sen's coup and blamed the international community for forcing him into the alliance by not putting enougb pressure on Hun Sen.

"All of Khmer Rouge, Pol Pot's forces, they are now entirely and fully part of the Royal Cambodian armed forces and they do not consider themselves Khmer Rouge any more," Prince Ranariddh said.

Thai officials let refugees fleeing the fighting cross the border but were clearly concerned about the prospect of semi-permanent camps being set up in Thailand. The prime minister, Cbavalit Yongchaiyudh, said Cambodians would not be given refugee status and would be returned home as soon as fighting stops. International aid to the refugees must be channelled through the Thai government, thus preventing permanent UN camps.

Over 200,000 Cambodian refugees populated camps in Thailand during the 1980s. Officials fear that if new permanent camps are set up inside Thailand, the flow of new refugees into the country will skyrocket.

NEWS: UK

Exclusion clauses are written into policies

Insurers arm against 'millennium bomb'

By Christopher Adams in London

Insurers are trying to prevent a flood of claims relating to the "millennium bomb" by writing exclusion clauses into thousands of policies that protect customers against the failure of electrical products.

Cornhill Insurance, which underwrites much of the extended warranty cover sold by retailers with electrical goods, has forced several big groups to accept changes in policy wording. Among the retailers affected are the Co-operative Wholesale Society, Argos, John Lewis and House of Fraser.

It is thought to be the first insurance company to take such action. Others are considering following its example and the Association of British Insurers has commissioned lawyers to draft exclusion clauses for its members. Several insurers, including Royal & Sun Alliance, one of Britain's biggest insurers, have also introduced exclusion clauses into contracts covering computer consultants for professional indemnity.

The "bomb" is a consequence of software programming convention in which years are stored as two digits rather than four. Software using the two digit convention will be unable to distinguish between this century and the next. Insurers fear that many companies may seek to recoup the cost of disruption by claiming on commercial insurance policies.

The ABI has within the past few weeks distributed a report to its members from law firm Cameron & McKenna which warns that insurers are likely to face a wide range of claims.

"The report's conclusions are that some policies would be exposed to millennium claims," said the association. Insurance companies are likely to be most vulnerable in the areas of product liability, professional indemnity, consequential loss and machinery breakdown.

The "bomb" will affect computers primarily. However, many electrical products and machines rely on so-called "embedded chips", which may also be affected.

Cornhill said it had written the exclusion clauses into policies because it was concerned that suppliers were not taking the millennium bomb seriously enough: "What we're trying to do is make the manufacturers wake up to the problem and do something about it."

It added that none of the retailers had opposed the introduction of exclusion clauses. If they had, premium rates would probably have been raised.

The Association of Insurance and Risk Managers (Airmic), which represents commercial insurance buyers, said it was deeply concerned by the steps insurers were taking: "There will be a big debate about this."

The "millennium bomb" represents a significant threat to public safety, the Health and Safety Executive said yesterday. It announced an investigation into computers used to manage industrial processes. Alan Cane writes.

The agency said its research showed there was cause for concern about the potential malfunction of "embedded processors", computers which control, for example, industrial robots or machine guards.

It said it would prosecute manufacturers of safety systems if they knowingly failed to warn their customers about "bomb" problems inherent in their computers, leading to malfunction.

However, Mr Robin Guenier, head of the government sponsored task force charged with raising public awareness of the "bomb", said the time was past for research and warned that companies which had not already begun to tackle the "bomb" could be in difficulties after 2000.

Neil Pykett outside the Birmingham industrial tribunal yesterday News Team

Payout ends board fight

By Richard Wolffe in Birmingham

The bitter boardroom battle at Cowie Group, the car distributor and bus company, came to an abrupt halt yesterday as the warring parties agreed to £100,000 ($163,000) settlement in front of an industrial tribunal.

Neil Pykett, former managing director of Cowie Financial Holdings, was claiming unfair dismissal from the company after he was sacked for alleged misconduct in February.

He was also planning to sue Cowie for £1m compensation for the termination of his three-year rolling contract.

But Mr Pykett withdrew his claim after two hours of negotiations with the Cowie board outside the tribunal in Birmingham yesterday.

Mr Pykett said: "I am disappointed because I was looking forward to the hearing. But it became clear that it would be January or February before they heard the evidence, and there is only so much you can sustain. Now it is time to put the matter behind me and tell my family it is finished."

The company said the settlement had been made without admitting liability.

UK NEWS DIGEST

EWS in rail freight deal

English Welsh & Scottish Railway, a freight offshoot of Wisconsin Central Transportation, is to strengthen its domination of the UK rail freight sector with the acquisition of one of the few independent rail freight businesses.

EWS has reached an outline agreement to take over the rail freight operations of National Power, the former state-owned electricity generator. National Power now employs 50 people and operates six locomotives moving coal and limestone to its power stations. Although National Power's rail business is small, it is one of only two independent freight operators which set up alongside EWS when the UK national network was privatised.

EWS and National Power said they did not expect the acquisition to raise competition issues because of the small size of National Power's rail activities. "Rail has only 6 per cent of the UK freight market and the real competition is road," EWS said. *Charles Batchelor, London*

■ ADVERTISING STANDARDS

Motoring speed theme deplored

Complaints that two car advertisements, for Audi and Volvo, encouraged an irresponsible attitude to speed have been upheld by the Advertising Standards Authority. It said the poster for the Audi Cabriolet, featuring a picture of an empty road that looked as if it had been taken by a police speed-trap camera and claiming "0 to 60mph in 9.3 seconds", clearly breached codes of practice.

The authority told Volvo to withdraw its press campaign featuring a stopwatch, rocket, sprinter and a fireball. In each case, the advertisers argued unsuccessfully that the adverts contained safety messages. Last month, the authority identified an increasing use of the theme of speed to sell cars. *Alison Smith, London*

■ PENSIONS MIS-SELLING

Faster compensation demanded

The government yesterday increased pressure on the City of London over pensions mis-selling by demanding faster compensation for the estimated 30,000 workers affected in the state health service.

Alan Milburn, the health minister, instructed the service's Pensions Agency to step up efforts to resolve outstanding cases. Mr Milburn said he was "appalled" that only 200 health staff have so far been reinstated into the state service's own pension scheme. Mr Milburn's intervention follows last week's publication of figures showing that only 46,000 of the 570,000 outstanding cases of mis-selling had received any redress. *David Wighton, London*

■ FOOD HYGIENE

More inspections for butchers

Butchers' shops are to be subject to a further 65,000 hygiene inspections over two years as part of a £19m ($31m) initiative to improve food standards. Tessa Jowell, minister responsible for food safety, said the measures would help to prevent further outbreaks of the e.coli 0157 bug, which has claimed more than 20 lives in Scotland in a year. "We are determined to improve food hygiene standards and to restore the public's confidence in the food they are buying," she said. *George Parker, London*

Region opens campaign to win Jaguar factory

Financial Times Reporters in London and Birmingham

Business and government leaders in the West Midlands region of England yesterday launched a campaign to convince Ford's Jaguar offshoot to build its proposed new small car, codenamed X400, in the UK.

However, industry observers close to Ford said the region may be pushing at an open door because the car company's senior executives are believed privately to favour the UK over other options such as the US and Germany.

Regional officials in the West Midlands will argue that UK manufacturing is central to the brand image of Jaguar. This was one of the factors behind Jaguar's decision last year to build the new X200 saloon at its Castle Bromwich site in Birmingham.

Jaguar hopes to lift its production levels to 200,000 cars a year from about 45,000 through the X400 small car project provided the go-ahead is eventually given to the $600m-plus plan.

Government officials in the West Midlands – also home to Jaguar's historic Browns Lane base in Coventry – will argue that the region has developed a strong base of Jaguar suppliers. They will also highlight the region's skilled workforce, at the heart of the UK's automotive industry.

David Ritchie, regional director of the Government Office of the West Midlands, said: "I am quite certain we will have fairly detailed discussions with Jaguar, although the decision on the location is one that still has to be taken. We have a very powerful argument about the supplier base and the traditions of the region, as well as its central location."

Although the 50-strong project study group is due to report back on the feasibility of the project by November at latest, the choice of site could require several years. It would certainly involve Jaguar and Ford casting around for the best aid package available, as happened with the £80m UK Government funds provided to ensure that the larger X200 model, to be launched in 1999, was built at Castle Bromwich rather in the US.

Jaguar is likely to play the aid package game to the full. Under these circumstances, presuming final approval for the X400 is given, it will not enter production before 2002 at the earliest.

INFORMATION TECHNOLOGY

PC sound · George Cole

Easy on the ear

The audio quality of the PC continues to improve as users demand superior technology

When the first IBM personal computer was launched in 1981, it offered little in the way of sound except for the odd beep. Since then, PC audio has made great strides, with many of today's computers offering CD-quality sound and some including surround-sound effects. The signs are that tomorrow's PCs could offer sound quality to rival most home stereos.

Sound arrived late to the PC. Whereas some computers, including the Apple Macintosh, Commodore Amiga and Atari ST, had built-in audio, PC sound was a bolt-on.

Most PCs have a sound card – a plug-in electronic board that converts computer code to sound.

The push for PC sound mainly came from musicians who required computers for creating, editing and playing music and from home PC owners using their machines for playing games, multimedia titles, music CDs and even CD-Rom films.

Sound card technology grew out of the music industry. In the early 1980s, the Japanese electronics company Yamaha developed the DX range of music synthesisers, which were snapped up by musicians.

"By the late 1980s, musicians were beginning to look at other synthesiser systems, while the PC industry wanted a low-cost solution to PC sound," says Jim Corbett of Yamaha UK. The result was that Yamaha supplied most of the chips used in the early sound cards.

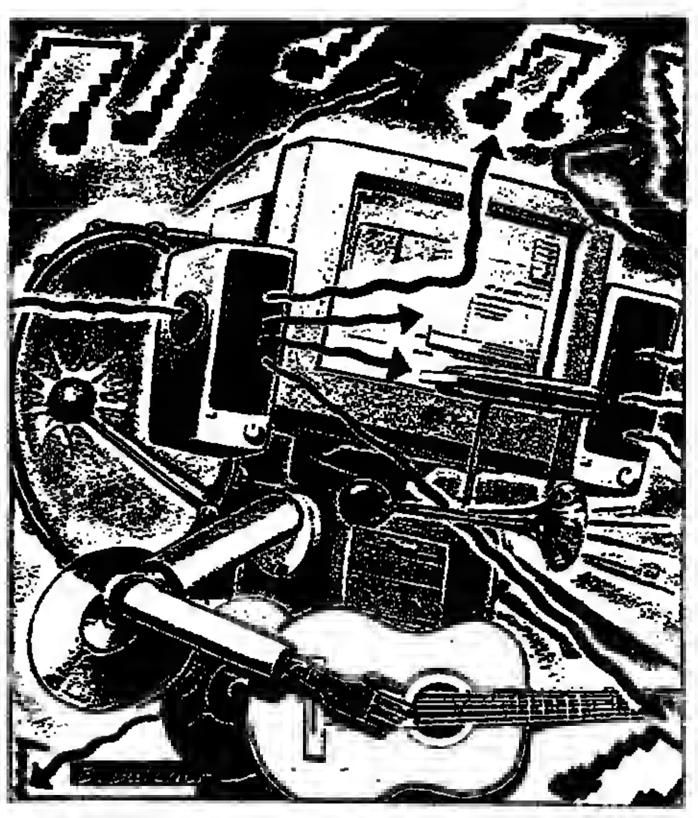
Companies such as AdLib of Canada and Singapore-based Creative Technology were among the first to offer sound cards.

Creative's card, Sound Blaster, which was launched in 1989, has become the de facto standard for PC sound, and more than 70 per cent of the world's PCs use the technology.

The first sound cards offered low-quality 8-bit sound, but most of today's cards produce 16-bit sound – equivalent to the quality of CDs. They can play dozens of notes simultaneously, and be used with a system called Midi (Musical Instrument Digital Interface), a standard that allows computers and electronic instruments to be linked together.

In 1991, Microsoft, Philips, Tandy and others developed the Multimedia PC standard, which enabled desktop PCs to offer graphics, video and sound. These days, most home PCs are multimedia machines.

Research company Inteco reports that about 90 per cent of all home PCs bought in France, Germany and the UK during the first quarter of 1997 had a sound card supplied as standard – in 1995 it was closer to 60 per cent.



Some believe the sound offered by many home PCs could be improved. "It's a myth to believe that sound doesn't matter on a PC," says Sim Wong Hoo, founder and chairman of Creative. "Some people will spend hundreds of pounds on a new graphics board, but do little to improve the sound. The human ear is less forgiving than the human eye."

One of the easiest ways of improving PC sound quality, says Sim, is to replace the speakers supplied with the computer. To keep prices down, some PC companies supply their machines with mediocre speakers. Companies such as Labtec, Yamaha and Altec Lansing produce PC speakers *which offer better sound quality.*

Some PCs include the Dolby Surround sound system developed by US company Dolby Laboratories, which uses extra speakers to create surround-sound effects. A number of games companies, including Europress, Electronic Arts, Ocean, Psygnosis and Sony, have launched games encoded with Dolby Surround.

Attention is also turning towards PC-based systems, which use two speakers to create surround sound. Dolby has developed *Virtual Dolby Surround*, which uses electronic processing to trick the brain into thinking that extra sound channels are being produced by just left and right speakers. Microsoft has developed the DirectSound 3-D audio standard for its Windows 95 operating system, which can be used by software developers to create surround-sound effects.

US company Diamond Multimedia Systems has developed a 3D sound card that it claims enhances DirectSound.

The card, which uses technology developed by Aureal Semiconductor, has been developed for games enthusiasts, entertainment and internet users. The result, says Diamond, is that sound appears to come from all directions.

The internet is also becoming a source of audio for the PC. US companies Liquid Audio and Progressive Networks – which markets the RealAudio system – have developed systems that enable high-quality audio to be transmitted via the internet. The DVD-Rom format, which stores much more data than a CD-Rom, will also offer sound that exceeds today's audio CD format.

PC sound systems that dispense with sound cards are now on the market. The US chip company Cyrix has developed MediaGX, a system which puts the sound processing on a chip working with the main processor. Although the sound quality is not as good as that from a stand-alone card, it is likely to improve. Yamaha has developed a software-based PC audio format, which uses the powerful Intel Pentium MMX processors to generate the sound.

The PCs of the future will look and sound very different from the machines of today, predicts Sim. "Computers generate a lot of noise. There's noise from both the hard disk and the fan, and this degrades the audio. It may be possible to develop a PC which puts the processor in one box and the hard disk in another box in a different room," he says.

Sim adds that in spite of the progress made in PC audio, it is early days: *"When it comes to sound on a PC, we're at the primary stage. We've just left the kindergarten."*

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Eagle Eye · Louise Kehoe

Senior service

PCs and the internet may be a challenge for some users, but it is worth persevering

I'd be the first to say that personal computers are not "boys' toys" and that the internet has something to appeal to everyone. But when Grandma, who celebrated her 80th birthday some years ago, called to say she had just bought her first PC, I was taken aback.

Having recovered enough to congratulate her, I began to panic at the prospect of helping her learn how to use the machine. While she talked happily of exchanging e-mail with her grandchildren, I knew she was going to be frustrated by the complexity of the PC.

With PCs that will respond to spoken commands or gestures, probably four or five years away, the PC is still a challenge for many people. I received e-mail from a "senior citizen" reader the other day, asking me to recommend a book for people getting started on the internet.

That was the answer. Find a good book for Grandma and the FT reader. But the best "starter" book is called *The Internet for Dummies*, by John Levine, published by IDG Books – not a title you can present to your mother-in-law, or to an FT reader for that matter. I found the *The Official Netscape Beginners' Guide to the Internet* by Shelley O'Hara, published by Ventana Communications also provides a good grounding.

Is it worth learning about computers and the internet in your senior years? Absolutely. The net is an ideal means of communication for those with limited mobility. It caters well to all special interest groups and *there are a growing number of* commercial and non-profit groups offering web sites and services aimed at this new generation of older "netizens".

Seniornet is one of the more established web sites (www.senior.net), but among the latest are seniorcom (www.senior.com) and Third Age (www.thirdage.com). Each has its own style, but all include numerous features aimed at the older net user. I suspect that we will see more senior activity on the net as publishers and electronic community builders *spot the* opportunities in this expanding section of the population.

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I began this column last year by describing how easy it was to collect personal information about people via the internet. It is no surprise that dozens of opportunists are now promoting web sites that claim to protect your privacy – at a price.

These services (web addresses deliberately not given) promise to trawl through databases to discover whether they contain information about you. It hardly takes a leap of imagination to recognise that the same facilities can be used to investigate other people.

I subscribed to one of these services to see if they improved upon my home-grown sleuthing. I plugged names of friends and colleagues into the search engine casting as wide a net as possible. Apart from finding one colleague has a namesake in jail in Illinois, I am none the wiser.

Well, perhaps wiser in that I will not waste money on such services again. With names suggesting they are privacy advocacy groups, these sites play on people's fears of what real or false information may be stored about them. If you are worried about internet privacy, stick to the non-profit groups such as the Center for Democracy and Technology (www.cdt.org).

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Putting private information – whether it be financial, medical or banking records – on the internet is still fraught with risks

Latest news on the internet privacy front is the decision of Experian, a credit record agency, to withdraw its internet service after just a day or so.

Experian launched the service to enable consumers to obtain their credit histories quickly and easily. The web site was soon inundated with requests for this valuable service.

But a few people received the wrong credit reports, gaining access to detailed personal financial information about other people. Experian said there was a technical glitch.

It is embarrassing for the company, and holds lessons for businesses taking to the internet. Putting private information – whether it be financial, medical or banking records – on the internet is still fraught with risks. Better to be slow than sorry to provide internet access.

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The field for delivering investment information over the internet is becoming more crowded every day. Whether it is Microsoft with its "Investor" web site, or Quote.Com, or brokerages such as E*Trade, there are plenty of places for the casual trader to look up stock prices and financial data.

But established information providers are pushing back. Data Broadcasting Corporation, the leading US provider of real-time financial and market information to individual investors, remains convinced that "johnny come latelies" typically offering delayed stock quotes, will not bite into its market.

Most DBC customers receive data via a wireless FM sideband broadcasting network, TV cable feeds, or satellite broadcasts. The company also now offers real-time quotes via the internet (www.dbc.com). It is not free, but offers the serious individual investor the kind of service previously only available to professionals.

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on louise@FT.com.

ARTS

Television/**Christopher Dunkley**

The midsummer blues

Yes, television is abnormally boring at present, even by the standards of midsummer. Yes, there were too many programmes about Elvis Presley over the weekend. Yes, on some nights it really is becoming difficult to find an original programme among the repeats. Yes, there are too many detective series (mostly repeats) and too many cheap quizzes and game shows, most of which are not worth repeating. True, most of the time you would be better occupied reading a book than tune in to the odd things to which TV critics are reduced to when the silly season gets as silly as this.

In the past week I have re-watched the episode of *Men Behaving Badly* in which Tony reveals to the entire world that Gary has £33,000 tucked away in his bank account. It was a modest hit of comedy first time round, and does not reward a second look. On a deadly Saturday night, *Bugs* seemed a possibility since it was at least new, but this so-called action series has not improved since its first stilted episodes. The qualities of the old *Avengers* have been overstated hy nostalgia freaks, yet compared with *Bugs* they are witty, stylisb and full of panache, as one can see from their current repeats. Why must *Bugs* be made like a suet pudding instead of a soufflé?

Saturday's pop concert, *Songs And Visions*, on BBC1, in which performers such as Rod Stewart and Jon Bon Jovi sang other people's hits in a sequence running backwards from 1996 to 1956, may have been fun for those in Wembley Stadium, but on the television screen it seemed peculiarly lifeless. And you can see why Channel 4 has decided on midsummer as the time for its series, *Game Of War*, in which today's military men re-fight the battles of the past on a table top. In the age of computer games and virtual reality it is sad to see eminent soldiers reduced to pushing Lego bricks around what looks like an old *Hornby Dublo* layout. What is the point, anyway, of re-fighting the battle of Waterloo and having the French win?

Yet matters are not completely desperate; search the schedules and there are still jewels to be found. Last night's BBC1 programme on beetles, produced by Bernard Walton, was one. There was quite a bit of that jokiness – Beatles tunes, a VW Beetle, a stag beetle flying past the "Stag" on e pub sign – which can be so tiresome in wildlife programmes. But the charm of presenter David Attenborough was enough to carry it all off, and the technical achievements were astonishing. We have become blasé, but it is amazing that cameras can show us the oil beetle gruh climbing a flower to hitch a lift on a bee's back, and then reveal the grub eating the bee's egg and raiding her pollen larder. This is the sort of biological complexity which prompts the watch-maker argument, asserting the necessity of an almighty creator, yet as I watch I always wonder why any god would be so insanely devious. In this instance, why not arrange for the grub to eat grass in the first place, leaving the bee in peace?.

There has been a remarkable number of good programmes about architecture. In addition to *How Buildings Learn* on BBC2 – excellent again last week on the theme "The main architect is time" – we had a repeat of Posy Simmonds' passionate review of Wood Street police station in the City of London, in *Building Sights*. "Cor! Yon wouldn't expect all this technology in an Italian palace", she said. "Yon'd expect them to be looking at the Borgias and listening to Monteverdi and chncking pheasant bones over their shoulders", the point being thet the huilding does look ewfully like a palazzo. Hooray for repeats. The day before, in *One Foot In The Past*, we had Lucinda Lambton on the interior of the Foreign Office, and a nicely acerhic item on Victor Pasmore's new brutalist monstrosity in Peterlee. Pasmore announced patronisingly that he had designed the concrete thing (now etained and shabby) not for the people of today hut for those of the fntnre. One Peterlee woman of today said it was all right for Pasmore, he lived in Malta, "But we have to live on top of it".

If you notice a marked lack of drama programmes in this colnmn, that is because there is so little new drama of note. Admittedly there was a new 90-minute episode of *Cadfael* on ITV last night, hnt my touchstone for detective fiction is Raymond Chandler, and I prefer matters to move at the pace of *Hill Street Blues* or *Cracker* rather than that of a medieval monk. Because costume drama is expensive, broadcasters tend to he even more mean with it in summer than with anything clse. Thus the hidden jewels are practically all factual programmes. John Bulmer's *Dances With Llamas* on BBC2 was another: an anthropological curio, shot in the Bolivian Andes. It told the story of an annual festival at which alcohol and competitive daneing between the inhabitants of various villages have caused deaths in the past. This time, with the police shooting tear gas (and Bulmer shooting videotape), nobody died.

Sunday's *Everyman* on BBC1, "Elvis And The Presleytarians", proved that there was something new worth saying about the fat rocker: he ie now being worshipped, literally, hy enongh people for a new religion to be identified. The eye-opening revelation was that these people worebip Elvis-as-Christ. On the internet you can now find the familiar Roman Catholic sacred heart figure with thc face of Elvis Presley. In rooms above pubs in England people gather in circles to sing Elvis hits interspersed with cries of "Hallelnjah!" Expert Karen Armstrong told us this was a fascinating example of how new religions began, and, sure enough, it did all seem quite sane when yon compared it to the origins of other religious movements.

Autumn will soon be here.

Edinburgh

Gergiev's Prokofiev

The charismatic conductor Valery Gergiev brought his Kirov Orchestra – the Maryinsky Theatre band – to Edinburgh for three Prokofiev concerts over a long weekend. While the Kirov players go home, Gergiev is staying on to conduct his other orchestra, the Rotterdam Philharmonic, in two more concerts. He is a recklessly busy man.

Though sometimes he leaves himself short of rehearsal-time, he is intensely committed to his music and he is ready to take non-crowd-pleasing risks. Beginning last Saturday's Usher Hall concert with Prokofiev's rarely performed Second Symphony was a sterling instance. Not only is it Prokofiev'a least snccessful, most unmusical "major work" by a very long way (the young composer was striving to be a Modernist without the technical equipment to do that), but it is rebarbatively loud and ugly.

Gergiev led the most lucid performance of it that I've heard. It was not his fault that the worst of it was thereby laid bare. Anyhow, he had the good sense to follow it with the Second Violin Concerto, with superb virtuoso playing by his soloist Sergei Levitin and ultra-sensitive colouring by himself. And the Third Symphony: despite its wonky status as Prokofiev's excuse for recycling the music of his rejected opera *The Fiery Angel*, it remains an extraordinarily fascinating score.

The Kirov's Friday concert disappointed only hy replacing the advertised Fourth Piano Concerto (for left hand alone, commissioned by Paul Wittgenstein – who hated it – and now almost unplayed) with the sub-Rakhmaninov First. We still got the Fifth, at least: its solo role dispatched with such graphically visible brilliance by Alexander Toradze – sizzling *glissandi*, vaudeville pounces, wild smashes at either end of the keyboard – that stone-deaf people would have enjoyed it as mnch as the rest of us.

The other main event of the weekend was a concert performance by Sir Charles Mackerras of *Lucia di Lammermoor*, Donizetti's fantasy after Sir Walter Scott. He bad the "authentic" instruments of the Hanover Band at his disposal, notably a 19th-century wooden flute for Lucia's Mad Scene and a mellifluous quartet of horns; also a distinguished cast.

Lucia was Andrea Rost, whose exquisite singing let us down only in that Mad Scene: much flamboyant style, little pathos. Bruce Ford as her ill-fated lover Edgardo matched her for vocal elegance (if not in seductive appeal), and outdid her in poignant feeling. Lucia's nasty brother was Anthony Michaels-Moore at his furious, domineering hest, and all the lesser principals were strongly cast: Alastair Miles, Paul Charles Clarke, Ryland Davies and Louise Winter.

The famous sextet got an instant *bis*. I thought Sir Charles unduly punchy with some of the music – the risky *banda* passages can topple the proceedings over into unintended comedy, and almost did here; but the frank, heartfelt spirits of the *dramma tragico* carried all before them. The audience was wildly delighted.

David Murray

Theatre/**Alastair Macaulay**

Classics on tour

The touring companies who do some of Britain's most important theatre work receive relatively little national attention. Why? Partly because they usually only stay one week in each place; pertly hecauee, performing largely in the provinces, they sometimes do work that, unsurprisingly, appears provincial. We metropolitan sophisticates have seen every great play a million times; these touring troupes present them to audiences who have never seen them before.

Two such troupes are English Touring Theatre, currently presenting *The Seagull* in metropolitan circumstances at the Donmar Warehouse at the end of a three-month English tour, and the Oxford Stage Company, which has just launched a new production of *All's Well that Ends Well* at the Oxford Playhouse that will tour England until December. Both productions are good enough to succeed with newcomers to each play: no mean achievement.

Yet the reason one goes back to these classic plays is that one wants performances that will make one feel as if one is seeing the play for the first time, with new eyes. I have no particular quarrel with the Donmar Warehouse *Seagull*, directed by Stephen Unwin, but it seems like just another *Seagull*: which is not how I felt, say, with Peter Hall's flawed but authoritative Old Vic production this spring. Unwin's staging has e bit too much theatrical artifice. Cheryl Campbell's Madame Arkadina is all surface. She switches between four different voices, brays with laughter, and rampages a lot. Obviously the character is partly superficial, partly insincere, and partly self-deceiving; and obviously Campbell means to emphasise her actressy coarseoess. But – even when she punches ont a Key Line like "You're the last page of my life" – her effects don't cohere into one persuasive nervous system. Joanna Roth's Nina is rather too perpetually wide-eyed; she imitates radiance but never radiates.

Mark Bazeley's Konstantin, although forced by injury to perform with a crutch, gives perhaps the most impressive performance. He demonstrates both the quiet veneer and the smouldering neurosis of this young man, frustrated as son, lover, and artist. As Trigorin, who enjoys success in all the areas where Konstantin would like it, Duncan Bell's wry, ironic, performance is subdued, and makes bitle impact. All the actors show us the play clearly; they don't all show why it matters. The translation, by Stephen Mulrine, is new and always persuasive.

The Oxford Stage Company *All's Well* is both worse and better than this: Irina Brook, directing, has all the actors play like an African ensemble, singing and dancing, and makes the play grow out of this ritual. When not acting, the players disrobe, sit on the side, and sometimes play drums to accompany certain episodes. About half the cast seem to have English as their second language, and at least two of the actors (Jeff Diamond as the King and Charlie Folorunsho as Reynaldo) are laughably poor. It is all very Peter Brook (Irina's father) and often tiresome.

And yet the sheer simplicity of the production really does strip the play down to fresh essence. Numerous details become oddly haunting, as when Bertram (Emil Marwa) just listens wide-eyed to the two Dumaines' talk of Parolles. The verve of the episode when the Widow (Anni Domingo) and Diana (Clara Onyemere), perched on a step-ladder, converse about the troops makes a welcome start to the second half. Rachel Pickup, though her touching voice needs more technical support, is a quiet Helena who beautifully internalises her feelings: her stillness and silence are as eloquent as her utterance. In another production, the placidity of Madlena Nedeva's Countess would be irritating; here it has gravitas and tenderness. The strange beauty of this play acquires a fresh perspective. The Afro-surround, though it is an irrelevance to the European tale, draws us and the actors back to theatre bedrock: to the sense of ensemble participation in re-telling an old tale and making it new.

The Seagull continnes at the Donmar Warehouse until September 6. *All's Well* continues at the Oxford Playhouse until August 23, and then tours England until December 6.

Joanna Roth as Nina and Mark Bazeley as Konstantin in English Touring Theatre's production of 'The Seagull' Douglas H. Jeffery

Rheinsberg Festival/**Paul Moor**

Nymph lost in the garden

Snch an irony: despite impressive mnsical attainments, the polymath who renamed himself E.T.A. Hoffmann remains known primarily becanse, 60 years after his death, Jacques Offenbach wrote an opera about him and the phantasmagorical tales he wrote. The enterprising young Rheinsberg Chamher Opere Festival has partially redressed that by reviving Hoffmann's most important opera, *Undine*.

Siegfried Matthus founded the Rheinsberg festival in 1991, two years after Germany's reunification. In East Germany he ranked as a leading composer and protégé of Walter Felsenstein. Meanwhile, Rheinsberg has admirably achieved Matthus's goal of providing a professional springboard for qualified young singers of all nationalities.

A Prussian crown prince found this lakeside village, 70 km north of Berlin, so inviting that be had a charming little castle built in 1739, "Tranquillitatem colenti", dedicated "to him seeking peace". The garden theatre dates from soon afterwards. Today's festival combines village charm with the glamour of such eponsoring names as Barenboim, Friedrich, Kupfer and Masur – not to mention Daimler-Benz, IBM, Siemens and at least four big banks.

Rheinsberg annually offers an older opera and a newer one – this year Britten'e *Albert Herring*, in collaboration with Aldeburgh's Britten-Pears School. Smaller-scale events included Stockhausen's *Indian Songs* and four operatic concerts, presenting the enccessful 50 of more than 500 eager young singers who applied from 21 countries.

Hoffmann so idolised Mozart, that he replaced his third Christian name, Wilhelm, with Amadeus. The unveiling of *Undine* in Berlin in 1816 moved Carl Maria von Weber not only to seek out Hoffmann personally, hut to hail the new work in print as "the first German Romantic opera".

Today, unfortunately, except for a few passages, the music does not imbed itself in the memory. Logistically, Rheinsherg's outdoor environment eimply could not present it to hest advantage. From a steeply banked grandstand, the audience beheld a lovely twilight panorama – sweeping primary foreground playing area (orchestra off left), with a wide expanse of water beyond, then authentic woods intermittently peopled. It encompassed so much geography that even body microphones failed to recompense the unrealistic distances between characters singing to one another.

Attention automatically focused on the young singers – the Hanover student Britta Stallmeister as the nymph Undine, the Ukrainian coloratura Alla Kravchuk as her human antagonist Berthalda, Gavin Taylor from England as Huldhrand, Marc-Olivier Oetterli from Switzerland as the Christ-like Healer, a young Russian, Irina Potapenko, as the Duchess, and Bernhard Leube from the Rostock Opera chorus as the fisherman.

All benefitted by the hand of Rolf Reuter, a Komische Oper veteran, conducting the Brandenburg Symphony Orchestra under a canopy that shielded them from the elements hut cut into Olaf Zombeck's visual panorama. Hellmuth Matiasek's staging tended towards sight-gags, with plenty of rowboat traffic (some bearing candles), plus a fake waterfall and a sudden lake-jet, rivalling Geneva's trademark. Hanns-Joachim Haas lighted everything superbly.

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Jiří Bělohlávěk in works by Brahms and Dvořák. With violin soloist Viktor Tretjakow; Aug 21, 22

■ EDINBURGH

DANCE
The Edinburgh Playhouse
Tel: 44-131-473 2000
San Francisco Ballet: second programme opens with *Drink To Me Only With Thine Eyes* by Mark Morris to music by Virgil Thomson, followed by *The Dance House* by David Bintley, to music to Shostakovich and *Criss-Cross* by Helgi Tomasson to music by Scarlatti and Schoenberg; with the Scottish Chamber Orchestra conducted by Emil de Cou; Aug 20, 22

OPERA
Ariadne auf Naxos: by Richard Strauss. This Scottish Opera production, directed by Martin Duncan and conducted by Richard Armstrong, provides an unusual opportunity to see the opera in the context originally conceived for it: as an operatic divertissement, to be performed in a version of Molière's play *Le Bourgeois Gentilhomme*. The play is performed in English in a translation by Jeremy Sams; at the Edinburgh Festival Theatre; Aug 20, 22

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Scottish Symphony Orchestra: and the Helsinki University Male Chorus conducted by Osmo Vänskä in works by Sibelius. Including the London premiere of newly rediscovered tone-poem The Wood Nymph, with soprano Kirsi Tiihonen and baritone Jukka Rasilainen; Aug 20
● London Philharmonic Orchestra: conducted by Sir Charles Mackerras in works by Schubert and Brahms, part of the Proms anniversary celebrations of both composers; Aug 21
● Royal Philharmonic Orchestra: conducted by Daniele Gatti in works by Schubert, Beethoven, Mozart and Hindemith. With soprano Amanda Roocroft and pianist Malcolm Martineau; Aug 22

EXHIBITION
National Gallery
Tel: 44-171-839 3321
Seurat and The Bathers: places Seurat's great "Bathers at Asnières" in a context provided by his own earlier work, and studies and drawings for the painting, as well as works by predecessors who influenced him, and by his Impressionist contemporaries; to Sep 28

■ LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-210 3080
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 21
● András Schiff: Yuuko Shiokawa and Miklós Perényi perform Schubert's Trio in E major for piano, violin and cello; at the Union; Aug 22
● Baritona Oliver Widmer: performs works by Schubert, accompanied by András Schiff; at the Union; Aug 20
● Ensembla Musica Mensurata: conducted by Wielfried Staufenbiel in a programme of early and Renaissance music; at the Union; Aug 22
● London Sinfonietta: conducted by Markus Stenz in works by Rihm, Benjamin and Knussen; with soprano Rosemary Hardy; at the von Moos-Stahl-Halle; Aug 21
● Royal Philharmonic Orchestra: conducted by Carl Davis in a programme including Tchaikovsky's 1812 Overture and popular film themes; at the von-Moos-Stahl-Halle; Aug 20

■ NEW YORK

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
● Objects of Desire: Tha Modern Still Life – beginning with Cézanne, including masterpieces by Matisse and Picasso, and culminating with Pop art and contemporary works, this exhibition traces the art of this century through the various and evolving representations of objects; to Aug 26
● Retrospective of the Stenberg brothers which promises to be MOMA's largest graphic design retrospective to date. Pioneers of advertising, the brothers are best known for the arresting posters they designed for Soviet cinema in the 1920s; to Sep 2

■ PESARO

OPERA
Rossini Opera Festival
Tel: 39-721-33184
● Il Barbiere di Siviglia: in a staging by Luigi Squarzina. With the Ort-Orchestra of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 20
● Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as *Moses In Egypt* in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 21

■ SALZBURG

OPERA
Salzburg Festival
Tel: 43-662-844501
● Boris Godunov: by Mossorgski. Conducted by Valerie Gergiev in a staging by Herbert Wernicke. Samuel Ramey sings the title role. Cast also includes Philip Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 21
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 20
● Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Aug 20
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings the title role. With the Vienna Philharmonic and the Konzertverinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 22

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title rola of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 21
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart'e opera, eung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Aug 20
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Aug 22

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: and Tanglewood Festival Chorus, conducted by Robert Spano and John Oliver, in works by Rachmaninoff and Tchaikovsky. With piano soloist André Watts; the Shed; Aug 22
● Pianist Peter Serkin: performs works by Takemitsu, Reger and Beethoven; Ozawa Hall; Aug 21

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli; Aug 20
● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; Aug 21
● Rigoletto: by Verdi. Conducted by Nello Santi in a revival of Lotfi Mansouri's staging; Aug 22

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10.00
European Money Wheel

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Financial Times Business Tonight

Edward Mortimer

Moment of truth

The international community is at last beginning to flex its muscles in Bosnia. It must prepare for a long haul

The meeting of the Bosnian Peace Implementation Council in Sintra, Portugal, on May 30, was not much noticed at the time. But with hindsight it is being seen as a turning point in the history of the Dayton peace agreement: the moment when the elusive "international community" at last came together and decided to take its self-appointed task of reintegrating Bosnia seriously.

At the meeting, the western allies formally ordered Bosnia's elected authorities to reform property laws, pass citizenship laws, restructure police forces, and hand over indicted war criminals. The allies gave a warning that aid would henceforth be conditional on Bosnian compliance, and they threatened other sanctions – denying visas, for instance, to those who had contacts with war criminals, and breaking off contact with Bosnian embassies abroad if there were no agreement to appoint new ambassadors by August 1.

That last decision had some perverse consequences. The previous ambassadors, chosen by the mainly Moslem government, were at least nominally, and in some cases actually, committed to the ideal of a united, multi-ethnic Bosnian state. The new ones have been chosen after horse-trading between the three ethnic leaderships.

Thus in Paris Nicola Kovac, an idealistic Serb who refused to accept partition, may be replaced by Aleksa Buha, a strong supporter of partition who replaced his friend Radovan Karadzic as acting leader of the Serb Democratic party last summer.

Dayton remains an uneasy compromise between consolidating the carve-up into ethnic entities and forging or re-forging links between those entities. But whereas before Sintra the second aspect was little more than rhetorical, since then it has looked more serious.

The most spectacular sign of this was "Operation Tango" on July 10, when British special forces serving with Sfor (the Nato-led stabilisation force) moved against two leading Serbs accused of genocide: Milan Kovacevic, in custody in The Hague, and Simo Drljaca, who was killed after firing on the soldiers who came to arrest him.

Like Slavko Dokmanovic, arrested two weeks earlier in Eastern Slavonia (the UN-administered zone of Croatia), these men had been named by the War Crimes Tribunal in sealed indictments. This gave the arresting officers a tactical advantage, and has spread panic among other potential targets, notably in the group around Mr Karadzic in Pale and the hardline leaders of the main Croat part of Bosnia.

The arrest of Mr Karadzic himself would be more difficult – he is heavily guarded – but it is now widely assumed that the US and UK have a plan to get him, which they will act on if he is not handed over.

This demonstration of military might has strengthened the nerve of the international community's civilian arm in Sarajevo, headed by Carlos Westendorp, the "High Representative". His office has taken an openly interventionist line in the conflict now raging in the Serb half of Bosnia between Mr Karadzic's supporters and those of Biljana Plavsic, the elected president, who has denounced Mr Karadzic for corruption.

Mr Westendorp's office has come down firmly on Mrs Plavsic's side, defending her right to dissolve parliament and denouncing the decision of the Bosnian Serb constitutional court which, under blatant pressure and intimidation from Mr Karadzic's supporters, last week overturned her decision. One of Mr Westendorp's spokesmen said yesterday that new elections would definitely be held in October, under international supervision.

In other words, Mr Westendorp, whose appointment was also decided at Sintra, is at last beginning to use the enormous authority which the Dayton agreement vested in him, and behave like the internationally-appointed governor-general or high commissioner which, on paper, both he and his predecessor Carl Bildt have always been.

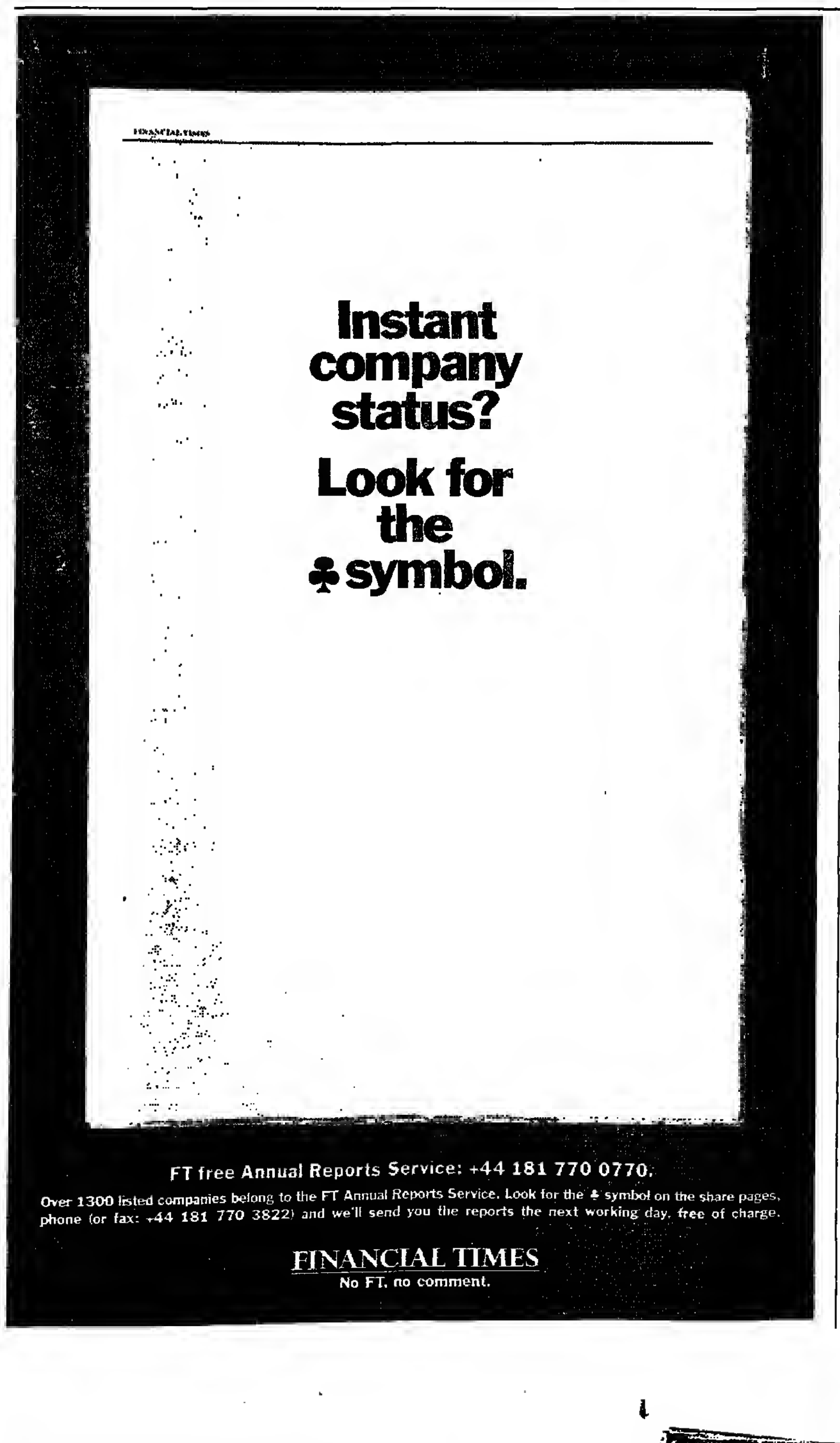
The new tough line is not a matter of personalities. Mr Bildt had been urging it for months; and Mr Westendorp – like Mr Bildt when he began the job – has been the target of a vicious US whispering campaign for allegedly not being tough enough. The difference is that, in spite of this, Mr Westendorp is getting military and political support from leading Nato powers, especially the US and UK, which was denied to his predecessor.

It is late in the day. In the year and a half since Dayton the three ethnic leaderships in Bosnia have had ample opportunity to consolidate their hold on public opinion in their respective communities. The Plavsic-Karadzic split on the Serb side offers Mr Westendorp some room for manoeuvre, but he still runs the risk that Serb opinion will close ranks behind Mr Karadzic, who is portrayed by Bosnian Serbs as the victim of a world vendetta against the Serb people.

Away from the headlines, some heartening signs can be found: better telephone links between the two halves of the country; more Moslem number plates (at least in the daytime) visible in the Serb area; in the past two weeks even the enforcement of a court order allowing 13 Moslem families to reoccupy their former homes in the Serb-controlled city of Banja Luka.

But for such green shoots to sprout next year into a harvest of peace, there will have to be more than one winter of firm international rule. The international community, if it is to stick by its new-found resolve in Bosnia, must be ready for a long haul – which means US troops staying well beyond the withdrawal deadline of June 1998.

Accused of genocide: Milan Kovacevic (left), denies the charge, and Simn Drljaca, killed after firing on troops AP



LETTERS TO THE EDITOR

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Gold lacks value-orientated shareholders

From Mr Brett L. Miller.

Sir, I read with interest Kenneth Gooding's article "Finding a way forward for gold" (August 15).

In support of Mr Julian Baring's views I would like to add a number of points.

First, the reasons investors seek exposure to gold have been well reiterated elsewhere. The basic point is that investors do seek exposure to gold by a variety of methods, one of which is by buying shares in gold producing or gold exploration companies.

If these companies hedge their output by selling forward their gold production, they are denying their shareholders the opportunity to be exposed to fluctuations in the gold price (if investors wished to purchase such a risk profile they could invest in a variety of other more appropriate instruments).

I would argue that when such companies do hedge their output, many shareholders exit to seek more appropriate exposure to gold and as they do so the shares of such companies may fall in value.

Second, by hedging their forward sales companies place a cap on the upside potential, thus denying investors full exposure to price fluctuations. Investors in mining companies are generally prepared to accept a higher risk profile than many other investors and in return wish to reap the maximum of rewards when the gold companies "get it right". Spectacular fortunes have been made in the past in this way.

Finally, as Mr Baring explains, some holders of gold are selling because it is a non-income producing asset. This is fair enough. If investors seek income producing assets they should not be holding bullion. However, problems arise when the management of gold companies hedge their future sales because they are then ignoring the fact that investors in gold shares are attracted by growth in capital value.

At a time when valuations in other sectors are looking a bit stretched, the gold sector looks attractive and ripe for consolidation. What it does lack is some value-orientated active shareholders.

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High accounting rates are beneficial to both carriers

From Mr Andreas Thuswaldner.

Sir, In "Global dialling" (August 12) you note thet international calls in the US cost on average 88 cents per minute, against 13 cents for domestic long-distance. It is more revealing to study the effect of international accounting and revenue settlement from a carrier's point of view.

If, for example, in a particular case the bilaterally negotiated accounting rate is, say, $1, then the US carrier will pay to its foreign counterpart 50 cents per minute for every call terminated in that country.

Similarly, tha US carrier will receive 50 cents per minute for every in-bound call terminated by it. It is therefore undeniable that high accounting rates are beneficial to both carriers.

It is often hurriedly concluded thet as US carriers generally have more out-bound traffic than in-bound traffic, US subscribers are *subsidising foreign countries* to the extent that the accounting rate is above cost.

However, without access to the true underlying costs incurred by each carrier, no such statement can be made. Moreover, no sovereign nation is obliged to disclose its costs.

It can be shown thet, depending on the costs incurred by each carrier and on the volume of traffic exchanged, the direction of the subsidy flow may in fact be opposite to the direction of the net-settlement payment, while both carriers earn excess revenue through the settlement process.

Under these circumstances it is unlikely that the International Telecommunications Union could be persuaded to institute reforms that would ultimately curtail the revenues of its members.

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Markets assume free cash flow will keep on rising

From Mr Paul Brunker.

Sir, Miko Giedroyc points out ("Tail thet wags the dog", August 15) that the rise in stock markets since 1989 has only kept pace with the explosion of corporate free cash flow. But it does not follow that markets are not expensive.

He points out that "falling net investment, in both fixed and working capital, is the over-riding explanation of rising free cash flow in the US, the UK and the rest of Europe". The problem is that a jump in free cash flow from this source is not the same as an improvement in underlying profitability.

Mr Giedroyc's figures tell us that a dollar of free cash flow is capitalised at the same multiple as it was in 1989. This multiple depends on two things: the growth rate and the discount rate applied to future cash. Since the real discount rate has not declined, as he points out, markets must be assuming that cash flow will grow as fast as it would have if a much higher proportion had gone to capital spending.

It is true that companies have become much more conscious of capital efficiency. But it is optimistic to assume that the forgone investment would have had no impact on the growth potential of companies, and that its "liberation" is therefore a net gain to shareholders. In reality there is a trade-off between high free cash flow returns and future growth. The trade-off may have improved, but it has not disappeared.

Mr Giedroyc writes that "it would be a brave person who believes that cash flow will continue to rise". But this, surely, is exactly what markets are assuming. If they are expensive, it is because investors are focusing on how much cash the management can extract from the existing capital base, even if this means sacrificing the creation of new, value-adding assets.

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Nonsense-talk about pensions

From Mr Bryn Davies.

Sir, The letter from John Harper of the Institute of Directors ("Too narrow a view of Hampel", August 15) contains a classic example of the sort of nonsense too many employers advance about pensions.

He says: "Most companies carry out their responsibilities to their 'stakeholders' well beyond what their duties require; the voluntary provision of pensions to employees being just one example." Ha might just as well say employers voluntarily provide their employees with wages.

Employers provide pensions as part of a contract of employment because it is their interests to do so, just as it is in their interests to pay wages. Labour market theory tells us thet the cost of a pension will be offset against the wages that the employer will pay. Employers simply seek to provide part of the cost of employing labour for certain employees in the form of a pension because they find it helps to attract those employees; then to keep them, by offering less advantageous terms if they become early leavers; and finally to dispense with their services when they reach retirement.

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The bus queue in a vacuum

From Mr Peter Bell.

Sir, I believe A. C. Grayling's review of *The Inflationary Universe* by Alan H. Guth (August 16/17) contains an error.

It is suggested that "almost anything can happen in a vacuum ... for example, a motorbus could suddenly appear".

While subscribing to the possibility of such a quantum fluctuation, my own theory is that if you waited long enough two such buses would suddenly appear.

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Parameters of prediction

George Graham looks at the limits of computer modelling

For those who worry that business is being taken over by computer-mad number-crunchers, thare may be a glimmer of hope. Some of the people who most frequently use computer models to target and assess customers are beginning to think twice about them: the techniques, they wonder, may be reaching their limits.

There is nothing new about applying mathematics to business. In insurance, actuaries have been estimating likely death rates for centuries.

But the most advanced credit-card companies, who are at the cutting edge of the use of statistical models, go a step furthar. Companies such as Capital One and First USA in the US model the probability not just of, say, default but of a number of other aspects of behaviour that contribute to their profitability. How likely, for example, are you to respond to the 1.7 credit card mailshots that fall on the average US doormat each week? How likely are you to use a credit card once you have got it?

"A mail-order company makes the same amount of money out of a pair of jeans regardless of who buys it and how they wear it" says Peter Carroll of Oliver, Wyman & Company, the specialist banking consultancy. "But a card issuer's profit depends on how we use the card."

Doubts started to creep in about the programs that model customer behaviour after US cardholders last year suddenly started to default more often. The level of bad debt write-offs doubled and some specialised card issuers were pushed into loss.

The Office of the Comptroller of the Currency, one of the principal US bank regulators, issued a circular to banks this summer warning of the dangers "credit scoring" models could pose. "Like all tools, credit scoring models can be used well or badly. Because they are so powerful, their potential for good or ill is magnified," said Eugene Ludwig, the comptroller.

The OCC circular focused on precise ways in which credit scoring models should be operatad, tested and updated.

But is there a more general concern about the dangers of letting the machine take over the decision-making?

"There clearly is an issue in human life: as soon as you develop a tool thet helps yon make a decision, yon run the risk of thinking thet the tool makes the decision with no errors," says Mr Carroll.

Those who worry, worry not only about credit cards. Credit scoring techniques are increasingly being applied to areas such as small business loans where data samples may be too small to allow accurate predictions of behaviour.

In the financial markets, too, investment banks use sophisticated models to plot the correlations between different categories of financial instrument and to deduce their "value at risk". Regulators now allow banks to use that calculation to determine in part how much capital they must keep as a cushion against disaster.

There is a touch of voodoo about some of the apparently random results thrown up by statistical models.

Compagnie Bancaire, one of the leading consumer credit groups in France, found that people with red cars are more likely to default on their car loans – which may say something about the kind of person that buys a red car, but could be an imprecise basis for a lending decision.

But the biggest underlying problem with statistical models is that, by definition, they measure the past. If behaviour suddenly changes, the model is much less useful.

That affected foreign exchange dealers' value at risk models when the Thai baht fell off a cliff earlier this year. For years, the baht's exchange rate had been closely controlled, so its volatility was close to zero. Its sudden devaluation broke through all the historical parameters.

It happened, too, to credit card issuers in the US, when average bad debt write-offs doubled in the space of a year. Advanta, a specialist card issuar that had long been a darling of the stock market, suddenly fell into loss in the first quarter as its net charge-offs rose from 2.1 per cent in 1996 to 7.1 per cent.

What went wrong? the debate is still raging among card specialists, but one central factor was the sharp change in bankruptcy filings. Blame it on the death of shame, or blame it on lawyers touting for clients in debt, but 1.3m people are expected to declare themselves bankrupt in tha US this year, almost double the 1994 level.

That sort of change is hard to pick up, even for the most sophisticated of models – although some of the best card companies were pretty quick to adjust their own systems.

"It's art on top of science. If the ground is moving under your feet, you have to overlay your own experience on the model," says Nigel Morris, chief operating officer of Capital One.

Sally Taylor-Shoff of Fair,Isaac, a California company which is one of the leading model builders, says it is important to understand what exactly credit scoring can and cannot do.

"At any particular score, a certain proportion of all borrowers that fall into that score will default. There is no way to predict with certainty that any individual borrower will pay or not – in other words, credit scoring is not a crystal ball," she says.

The lesson for credit card companies, and for a range of other businesses where similar techniques can be applied, is that the successful use of statistical modelling depends not just on mathematical sophistication, but also on common sense.

"The people who sell you a model say the R^2 is this and the Durbin-Watson is that, but you have to know how to use it. The model is only as good as the person who interprets it," says Capital One's Mr Morris.

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Germany's job challenge

Green shoots of economic recovery are sprouting all over continental Europe, with the giant at Europe's heart no exception. Unfortunately, Germany's welcome cyclical recovery may fail to make a significant dent in high unemployment or close the yawning gap between the west and the east.

With inflation subdued and monetary growth well within the Bundesbank's target range, currently low interest rates look set to continue, which should also keep the D-Mark weak. Mr Günter Rexrodt, economics minister, forecasts growth at 2½ per cent this year, followed by between 2½ and 3 per cent next year. This optimism is plausible and is largely shared by the latest economic survey from the Organisation for Economic Co-operation and Development.

Yet so far the growth has been narrowly based, being heavily dependent on the traditional locomotive of exports. The rise in net exports is expected to generate nearly half of the total growth this year. This surge in exports demonstrates not just the benefits of the weak D-Mark, but also the continuing strength of German industry.

Labour productivity rose 8½ per cent between January 1996 and February 1997. The resultant decline in unit labour costs, along with the real depreciation of the D-Mark and falling interest rates, has generated a strong improvement in profitability. This combination suggests that investment, particularly sluggish in this recovery so far, is set to surge.

Yet the possession of a world-beating export-oriented manufacturing sector will do virtually nothing to resolve Germany's two biggest economic problems: its failure to generate jobs and its closely related inability to produce healthy growth in the new Länder of eastern Germany.

A dramatic chart in the OECD report shows that between early 1991 and early 1997 total employment shrank by almost 7m. Surprisingly, most of this decline occurred not in eastern Germany, but in the west. Since the cyclical peak of 1992, the total number of jobs in western Germany has fallen by almost 6m, to just over 28m, and overall German unemployment has risen to levels not seen since the 1930s.

No less striking is the continued weakness of eastern Germany. It cannot benefit from Germany's export boom because sales outside Germany account for only 12 per cent of its gross domestic product, against 31 per cent for the west. It has little chance of doing much better in future, since by 1993 the drive towards wage equalisation had driven unit labour costs in manufacturing to 30 per cent above those in the west, where they have since largely remained.

An export-driven recovery, based in western Germany, will fail to solve either of these problems. Yet they must be tackled if widely shared prosperity is to be available in future. What is needed is complementary reform of the labour market, wage bargaining, social security, taxation and economic regulation. What is required, above all, is willingness among politically powerful forces to recognise the wider national interest, for example in striking bargains over wages or over wider economic policy.

The challenge is to the legitimacy of the German consensual model. The powers-that-be are still doing far too little to demonstrate they can meet it.

UPS settlement

The strike at United Parcel Service was the biggest of its kind in the US for many years, and it almost certainly would not have happened without tight labour markets. In that sense, the strike and the settlement which emerged yesterday are of symbolic importance. But to claim, in the words of the Teamsters union, that the agreement marks an "historic turning point for working people in this country" is fantasy.

It is true that on the evidence so far the union seems to have gained most in the settlement. In particular, UPS has failed to secure a prime objective, which was to replace the Teamster controlled multi-employer pension plan with a scheme just for its own workers.

Its own successes – such as securing a long term five-year contract – look modest compared with the costs in terms of lost business. But there were special features about this dispute which limit its broader significance.

UPS seems to have misjudged the mood of its employees, and of the public. It started off with lots of cash, whereas the union's strike fund was empty, and the resolve of its part time workers to take strike action was always in question. But this was a fight that the Teamsters' president, whose position is in question as a result of alleged fundraising abuses, had to win. The union also secured the broader backing of the labour movement, especially when it became clear that the American public was broadly in sympathy with the strikers.

UPS drivers are not like air traffic controllers: remote, threatening. They are part of the community to which they provide a service. The company lost the public relations battle at an early stage, and was seeing its business drain away to competitors – some of it perhaps never to return. The pressures to settle were growing by the day.

Will all this encourage unions to test their strength in other companies where they have lots of members? Possibly. But unions represent only a small and declining minority of American workers. And even where union members are present in strength, the balance of power in most cases remains overwhelmingly in the hands of management.

Island of ashes

Montserrat is a small island in the Caribbean which once boasted a population of some 11,000, for the most part descendants of Irish emigrants and their slaves. It had an exotic reputation as the Emerald Isle of the Caribbean, with Guinness on tap and beaches of black sand. But it didn't matter very much to the outside world.

Over the past two years, its modest economy, largely dependent on tourism, has been reduced to ashes by the periodic eruptions of its long-dormant volcano. Two-thirds of the population have fled. The remainder have retreated to cramped and insanitary conditions in the north of the island.

What makes Montserrat a little different from most of its neighbouring islands in the Caribbean, apart from the scale of its disaster, is that it is still a British dependent territory, one of the 14 remnants of the British empire still dotted around the globe. And that gives the UK government a special responsibility towards its suffering inhabitants.

Unfortunately, London has been slow to discharge that responsibility with the generosity one might have expected. To be sure, it has dispensed aid totalling some £41.5m over the past two years, in emergency relief, long-term aid and straight subsidies to the island's bankrupt budget. Most recently, it granted £6.5m for prefabricated housing for refugees still on the island. It has done very little to help the impoverished inhabitants leave the island, apart from encouraging them to do so.

The latest upsurge in volcanic activity has persuaded the British authorities to call for a voluntary evacuation, as living conditions for some 4,000 people have become increasingly intolerable. But they may be hesitating to order a total evacuation, because then they would have to pay for it, and look after the resulting refugees. Those who have fled have for the most part thrown themselves on the mercy of their neighbours such as Antigua.

Britain's attitude towards its remaining dependent territories has not been honourable in recent years, since the Conservative government stripped them of their right of UK residence in 1981. On this occasion, the government can and should do better. Last night's announcement of some assistance for refugees to come to Britain is a small step in the right direction.

Charge of the heavy brigade

Geoff Dyer explains the implications of Brazil's elephant-sized privatisation programme

In September the country's largest port goes on the block. Last month it was cellular telephones in South America's biggest city. In May it was the turn of the world's largest iron ore mining company. Three snapshots from what is now the biggest privatisation programme in the world: Brazil's.

The state-owned sector of the Brazilian economy used to be known as the elephant: slow-moving, gigantic, and with a thick skin on which swarms of insects fed. The elephant, however, is learning to move a little faster. Hardly a week goes by without some part of a public company being auctioned off for a billion-dollar price tag and, more often than not, to foreigners. Ports and power stations, roads and railways, telephones and transport, are all up for sale.

The impact is being felt across all areas of the economy, not just in the bulging treasury coffers. Brazil's corporate life – both private and public – is being shaken up. An infusion of foreign capital and knowhow is entering the country and crumbling parts of infrastructure are being renovated. In short, it is developing into one of the most important economic events in Latin America this decade.

Brazil dominates the Latin American economy. With an annual gross domestic product of $755bn, its economy is the eighth largest in the world. It accounts for around half of the region's output and is nearly three times the size of Argentina or Mexico. A dynamic Brazil would benefit the whole continent.

Yet in the 1980s, while most Latin American countries were encouraging foreign and private capital in order to revitalise their stagnant economies, Brazil was persisting with state control and import substitution. Even when it started to reduce tariffs at the beginning of the 1990s, its attitude to privatisation was somewhat ambivalent.

Late to the party, Brazil is making up for lost time. The sale of electric utilities alone is expected to raise more than $45bn. That figure is not far short of the proceeds from all privatisations in the rest of Latin America. Citibank estimates that asset sales will deliver a total of $80bn over the next three years. Antonio Kandir, planning minister, claims that Brazil will raise more from privatisations than the UK, Argentina, Mexico, Peru and Chile put together.

To anyone familiar with the Brazilian economy of the 1980s, one of the most revolutionary changes has been the effect on multinational companies. Ten years ago Brazil was virtually a no-go area for new foreign direct investment: now, thanks to the opportunities opened by privatisation, it has become one of the most attractive locations in the world. The trickle of $2.2bn of investment in 1994 is expected to turn into a flood of up to $15bn this year. That would be twice as much as went to Mexico last year and more than that invested in all of eastern Europe and the former Soviet Union in 1996.

Foreign companies are responding to long-term investment opportunities. Brazil has nearly 160m people and a sophisticated and (relatively) stable market economy. Yet a number of important industries are extremely poorly developed. Telephone use is one of the lowest in Latin America, for instance.

That makes it more understandable that a consortium headed by BellSouth of the US should have paid R$2.65bn last month for a cellular phone concession in the city of São Paulo. In terms of price per head of population, analysts believe this could be the most expensive cellular concession in the world.

Investment like this is providing a needed boost for parts of Brazil's infrastructure. Without an estimated $6bn a year of new money, the country could face regular power cuts and energy rationing. The government hopes that privatisation will unlock investment and prevent disaster.

It also reckons privatisation will cut the high cost of transport, one of the main contributors to the so-called "Custo Brasil" – the heavy cost of doing business in the country. The port of Santos, its biggest, is notorious as one of the most expensive in the world. When the container terminal is sold off in September, economists think the average tariff per container could fall from $500 to $150 in two years.

In all these areas, privatisation is being used to repair the damage caused in the "lost decade" of the 1980s when economic instability and weak government led to woeful under-investment.

Privatisation is also helping shake up the family-dominated private sector. In some of the industries up for sale foreigners are not allowed to take majority stakes. This means local companies play a big role in privatisation, creating the conditions for industrial empire-building.

Benjamin Steinbruch is the most obvious winner so far. One of the heirs of the Vicunha textiles business, Mr Steinbruch has used selective investments in privatisations to become one of the country's leading industrialists. He is now chairman of CSN, Brazil's largest steelmaker and Light, the power company of Rio de Janeiro. He was also the leading figure in the consortium that bought CVRD, the world's largest iron ore miner.

"Privatisation is the cornerstone of the first wave of mergers and acquisitions in Brazil which we need to modernise the economy," says Bernardo Parnes, managing director of investment banking at Merrill Lynch in São Paulo.

The need for capital to take part in privatisations is prompting some of these family concerns to open up to more scrutiny. When Grupo Votorantim, Brazil's largest family company, issued its first eurobond in June to fill its war chest, the prospectus was eagerly sought by competitors hoping it would shed light on the group's operations.

Perhaps the most significant development for Brazilian capitalism has been the increased role that privatisation has given to pension funds in the corporate sector. The largely public sector pension funds now have substantial shareholdings in most of Brazil's steel companies, and a quarter of CVRD's ordinary shares.

In the past, pension funds were mostly passive investors. Now, many analysts think, they will pay closer attention to the performance of their companies, especially as some of the funds themselves are being privatised. "The pension funds will start gradually to push for more professional management, better disclosure and a better relationship with shareholders," says Jouji Kawassaki managing director of Lafis, a São Paulo consultancy.

Even at the political level, privatisation could deliver large rewards. Basic services such as telephones are still something of a luxury in Brazil. In some of the bigger cities, a new line costs more than $2,000, well beyond the means of millions of Brazilians. If privatisation increases capacity and cuts costs, the likely beneficiaries will be lower-income people, who have already seen their real wages rise substantially over the past three years thanks to a drop in inflation.

Just as privatisation and wider share ownership helped the Thatcher government in the UK build support, so more accessible telephones could help Fernando Henrique Cardoso, Brazil's president. The prospect led some members of the opposition Workers party to moderate their anti-privatisation stance.

"The process is now absolutely irreversible," Mr Kandir says. Most observers believe the sale of CVRD broke the back of nationalist opposition, although a flurry of lawsuits from opponents of future sales cannot be ruled out.

There could be other delays. The government has yet to finalise details of the regulatory structure for the electricity industry, which will need to be in place before assets can be sold. And with presidential elections due next October, some deadlines could be missed – especially if the privatised companies perform badly or act like cartels. The government has already launched inquiries into allegations of price-fixing in the steel industry and into the effects on competition of the sale of CVRD.

The best insurance policy that privatisation will continue is the government's need for cash. Brazil is running a budget deficit of more than 5 per cent of GDP as well as a large current account deficit. Privatisation revenues are being used to prevent the public debt from ballooning.

In effect, the programme is holding economic strategy together. Without the money being brought in by privatisation, macroeconomic policy would look far less sustainable and the risk of a speculative attack on the currency would rise significantly. And if that happened, foreign and domestic money would exit the country faster than any stampeding elephant.

Brazil's privatisation top 10

Company	Value (US$bn)	Date	Notes
CVRD*	3.1	May 1997	Controlling stake sold to CSN-led consortium
Telesp	3.1	1st half 1998	São Paulo fixed-line telephone company
São Paulo* cellular telephone	2.4	July 1997	Concession sold to BellSouth-led consortium
CVRD	2.0	4th qtr 1997	Public offer of minority stake
Embratel	2.0	2nd half 1998	Sale of controlling stake in long-distance telephone operator
CPFL	2.0	1st qtr 1998	Sale of São Paulo power company
Cesp	2.0	2nd half 1998	First part of sale of São Paulo power company
Electrosul	1.5	1st half 1998	First part of sale of electricity generation company in southern Brazil
Furnas	1.5	2nd half 1998	First part of sale of electricity generation company
Petrobras	1.0	1st half 1998	Sale of minority stake in oil company

Source: Citibank *Completed sales

· OBSERVER ·

Eye on the ball

■ Go-getting fund manager Regent Pacific has got a reputation for sniffing out poor performers – so the Moldovan national football squad had better buck up. Regent is sponsoring the boys from the Black Sea for next month's World Cup qualifier against England. If the Moldovans put on a good show the one-match deal could be extended to help the cash-strapped side in future.

Regent corporate finance director Julian Mayo isn't saying how much his company is paying to get its name plastered over the Moldovan track-suits at London's Wembley Stadium. But he reckons it's worth every penny; Regent's just raised $70m to invest in the Balkans, and while Moldova doesn't have a stock market yet, the government's lining up privatisations in telecommunications and cement. Just the sort of opportunities that Hong Kong-based Regent likes to kick around.

But is it really wise for Regent – which likes to cultivate a hard-hitting corporate image – to associate itself with a team languishing without a win at the bottom of their World Cup qualifying group? "Their performances are improving all the time," says Mayo. "They've beaten Georgia in the past and last November lost only two-one away in Poland." Even so, sounds like the assets need to sweat a bit harder.

Full house

■ Vietnam's first stock market is years away thanks to Soviet-era accounting standards and a shortage of companies large enough to list. But the authorities are cracking on – they've already decided where to put the proposed bourse.

The State Securities Commission has been checking out suitable sites in Ho Chi Minh City, the country's commercial hub. Foreign bankers have long speculated that the splendid former headquarters of Hongkong Bank – now used by the central bank – would be the perfect spot. But SSC big-wigs are said to favour an art-deco pile once used by the former colonial French bank Banque Française Commerciale.

The letters BFC are still visible on the facade – a bit confusing since it's just down the road from the present-day French bank Banque Française du Commerce Exterieur (BFCE). Depositors of the colonial-era bank still turn up at BFCE from time to time, mistakenly expecting compensation for savings seized when the communists took control of South Vietnam.

Vision thing

■ Malaysian prime minister Dr Mahathir Mohamad has never been afraid to think big and was in vintage form yesterday unveiling his lastest "mega-project". Never mind that Malaysia's economy is showing signs of slowing; the man who helped the country to nine years of high-octane growth doesn't seem to have changed his mindset.

The latest scheme is in Sarawak state on the relatively underdeveloped island of Borneo, where Dr Mahathir proudly announced plans to build an entirely new state administrative capital. The size of the greenfield plot is, of course, 2,020 acres – styled after the PM's "Vision 2020" philosophy, which stipulates that Malaysia must maintain a heady rate of economic growth until the year 2020 to take its place as an equal among developed nations.

If the scheme goes ahead it'll be one of many ambitious infrastructure projects in the pipeline. Other monster projects include a new administrative capital called Putrajaya, a new multimedia city called Cyberjaya, the reclamation of six islands, the longest building in the world and the biggest hydroelectric dam in Southeast Asia. The tallest flight of steps is already under construction – definitely not a flight of fancy.

Price point

■ Güneş Taner, Turkey's portly economy minister, is a firm believer in the laws of supply and demand. The cigar-chomping former Citibanker has decided that the market can bear an increase in his flat $5,000 fee for media interviews – so he's doubled it, with proceeds going to support needy students from the war-torn Kurdish southeast.

Price increases are something Taner knows a bit about, after hammering consumers with higher prices for petrol, tolls and taxes on cell phones and lottery tickets. But his staff is indignant at suggestions that the voluble Taner's media profile has suffered under his new price regime. On the contrary, they say, the minister has raked in $20,000 since he took over at the end of June.

Plenty of Turks wish he'd price himself out of the market altogether and spare them outbursts like his recent warning – later blamed on a misunderstanding – that inflation now at 80 per cent will hit 100 per cent by the end of the year. Who said talk is cheap?

The Financial Times

100 years ago

The Agony Of India
Beginning with the famine – plague, earthquakes, sedition and frontier troubles have followed each other in quick succession in India. In less than two years India has come through a series of calamities which would have upset more than one European state. Our Indian Empire has indeed struck a run of bad luck, and not the least of its misfortunes is the small sympathy it receives from home. Everyone, from the Viceroy downwards, has come under a fire of peevish criticism. Our rule in India, of which we were formerly so proud, has been suddenly discovered to be lax and weak-kneed. The British officials, whose administrative skill and devotion to duty used to be proverbial, are now told they have been living all those years on the edge of a volcano without knowing it.

50 years ago

Canada's Crisis
Despite the British decision to ease pressure upon Canada's reserves of U.S. dollars by providing 50 per cent of the payments due to Canada in U.S. dollars, the Dominion's reserves of U.S. dollars have been running down at an alarming pace. Last year's net decline is expected to be more than doubled this year.

FINANCIAL TIMES
Wednesday August 20 1997

BP decides against Greenpeace action

Oil company backs down over protest legal threat

By Michael Peel

British Petroleum yesterday backed down on its threat to seek £1.4m damages from Greenpeace in the face of a hostile reaction from politicians and environmentalists.

The oil company said it would suspend the claim it lodged on Monday if the pressure group undertook not to interfere with activities connected with BP's oil developments at the Atlantic Frontier.

BP had said it was seeking to recover costs it had incurred as a result of the pressure group's recent eight-day occupation of a mobile oil rig at Foinaven, 60 miles west of Sbetland.

The Stena Dee was chartered to work at the field but Greenpeace intercepted the platform on its way from Norway. The rig was repeatedly blocked by Greenpeace swimmers and arrived at its destination last Saturday, five days late.

Greeopeace was campaigning against oil exploration in the area as part of its campaign against the burning of fossil fuels, which it says will lead to irreversible climate change.

BP's announcement oo Monday prompted the Green Party to call for an international boycott of BP products. Niki Kortvelyessy, speaker of the European Federation of Green Parties, said groups in 70 countries would take part in sucb action.

"Oil companies are determined to drain the planet of its last drop of oil, so we can burn it in the atmospbere, resulting in catastrophic change," she said. "It will be companies like BP who will be on the receiving end of demands for compensation in tbe future, but the amounts will run into trillions," sbe added.

Nick Harvey, campaigns and communications chairman of the Liberal Democrats, accused BP of an "unjustified over-reaction".

He said: "Tbis is another example of a major multinational company using its massive legal muscle to crush legitimate opposition." BP had earlier obtained orders from the Court of Sessions in Edinburgh preventing Greenpeace UK, Sarah Burton, company secretary, Chris Rose, deputy executive director and Jon Castle, captain of the ship MV Greenpeace, from interfering with the company's operations at Foinaven.

Mr Castle will appear at a hearing on Friday to decide whether he was in contempt of court for allegedly breaching previous interdicts connected with the occupation.

The oil company said it hoped Greenpeace would observe yesterday's ruling. "BP bas never questioned Greenpeace's right to campaign on climate change issues," it said. "We do object to their employing unlawful tactics."

Greenpeace said it had told the court that it would abide by any order but it said BP should withdraw the interdicts and the action against Mr Castle and recall a further order which froze the bank accounts of Greenpeace UK.

Editorial Comment, Page 9

Israel and Lebanon try to halt escalating violence

By Judy Dempsey in Jerusalem and Roula Khalaf in London

Lebanese and Israeli officials yesterday sought to end the escalation in fighting on the Israeli-Lebanese front following Katyusha rocket attacks on northern Israel yesterday and Monday's shelling of the Lebanese port of Sidon.

Benjamin Netanyahu, Israeli prime minister, warned Lebanon's Hizbollah guerrillas that Israel would respond to attacks on its civilians. But he also said: "The immediate task is to halt the cycle of escalation, which does not serve the interests of any side."

His remarks came after the Shia Hizbollah movement launched two Katyusha attacks on the Israeli border town of Kiryat Shmona.

The attacks were in retaliation for the deaths on Monday of at least six Lebanese civilians in the southern port of Sidon, the first time in two years that Sidon has been hit. Antoine Lahd, the pro-Israeli military commander based in the enclave of Jezzine in Lebanon, sbelled the port to avenge the death of two youths killed in a roadside attack by Hizbollah guerrillas.

The Israeli Defence Forces denied any involvement in the Sidon attack and added that Mr Lahd's forces had given no warning to Israel.

Rafiq Hariri, Lebanon's prime minister, said the escalation in southern Lebanon was the result of Mr Netanyahu's hardline policies on the Middle East peace process. But an aide to Mr Hariri said the Lebanese government believed the situation could be brought under control.

Mr Netanyahu, who visited Kiryat Shmona, appealed to Syria, the main power-broker in Lebanon, to curb Hizbollah attacks.

The Lebanese army, which rarely gets involved in military operations against Israel, also shelled Israeli military positions in southern Lebanon on Monday.

The escalation has raised concern over the viability of the 1996 ceasefire agreement that followed last April's 17-day Israeli attack on Lebanon. The agreement bars attacks on civilians or from civilian areas and sets up a monitoring group with representatives from tbe US, France, Israel, Lebanon and Syria to consider complaints. But Lebanon says 27 Lebanese civilians have been killed since the beginning of the year and 91 wounded. Lebanon has now lodged three new complaints with the monitoring committee and was yesterday working to bring forward a committee meeting planned for Thursday.

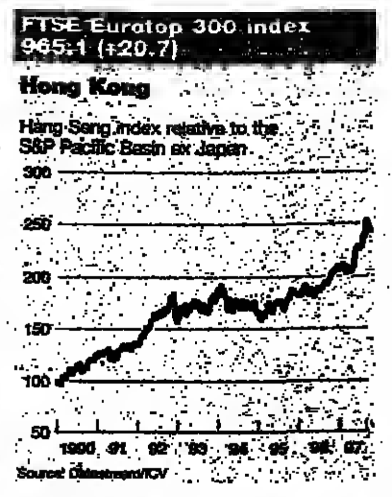
THE LEX COLUMN

Off the peg

The Hong Kong dollar is the latest participant in south-east Asia's popular game of currency skittles. But China, which seemed the greatest threat to the dollar's peg with the US dollar, now looks like its guarantor. If Hong Kong's handover to China had gone badly, a flood of money out of the Hong Kong banking system could have toppled the peg, despite the US$80bn of currency reserves behind it. But China is keen to ensure stability and signal to the world the success of its recent conquest. So, if anything goes, it will be Hong Kong banking and property profits, should higher interest rates be required to support the currency for a while.

The future of the HK dollar's peg, however, is no longer just an academic debate. The collapse of the Thai baht has demonstrated the danger of currency pegs. At least Hong Kong does not share Thailand's many ailments, where the dollar link has already done for most manufacturers. Hong Kong has a substantial budget surplus, a strong banking system and no vast pipeline of unwanted office blocks. Nonetheless, it is hard, for both political and economic reasons, to see China's wanting two independent currencies for ever. The Hong Kong dollar arguably needs to be pegged to a free-floating currency, but the Chinese currency will eventually become just that. As Hong Kong continues its integration with southern China, economic cycles will become further entwined and the renminbi, or yuan, will become the only currency to which a peg makes sense.

FTSE Eurotop 300 index
965.1 (+20.7)



BA/American

Richard Branson, chairman of Virgin, presents himself as the friend of airline competition, but is he? Not if you believe British Airways. The real threat for the man in the cuddly jumper, the argument runs, could actually be not BA's alliance with American Airlines, but the US government's inevitable *quid pro quo* – the opening up of London's Heathrow airport. Such an explanation of Mr Branson's vociferous opposition to the alliance obviously suits BA. Nevertheless, "open skies" at Heathrow would certainly be bad news for Virgin Atlantic, one of just four US/UK transatlantic airlines currently allowed to fly from London's main hub. Having penetrated this tiny club, Virgin's interest clearly lies in keeping it select. Its privileged status means Virgin can pre-sell blocks of seats to a US partner – at present Delta Air Lines, soon to be Continental Airlines. If such competitors could themselves fly to Heathrow, they would have little need of Virgin.

Suppose BA is right that Mr Branson's motives are mixed: it does not follow that his concerns should be dismissed. Playing the man rather than the ball does not change the fact that the alliance does raise competition issues.

Moreover, BA sharaholders should ask themselves why, if Mr Branson has a potential conflict of interest, BA is only now attempting to publicise the fact. For more than a year since the BA/American alliance was announced, Mr Branson has portrayed himself as an uncomplicated competition crusader. For BA to have allowed that, without asking qnestions, suggests lousy public relations.

BP

British Petrolenm'a decision to play hardball with Graenpeaca appears to have paid dividends. By introducing a £1.4m ($2.28m) damages claim against the environmentalist group, it has given itself an additional lever should Greenpeace interfere again with BP'a north Atlantic drilling operations in breach of yesterday's interdict. From the oil company's point of view, that was the main principle at stake. With an increasing portion of its earnings likely to come from socially and environmentally sensitive regions, it could not allow Greenpeace to insist such areas were out-of-bounds.

Strictly speaking, the damages claim was a legitimate one. But BP was probably right to judge that being free to continue its drilling activities unimpeded mattered a lot more than £1.4m damages. After all, this was a company that made £2.6bn net profits last year. And the potential public ralations fall-out from a "Goliath slays David" court-battle was enormous – witness tha Brent Spar debacle when Shell suffered a fearful drubbing. More recently, McDonald's scored a spectacular own goal with its legal pursuit of penniless activists.

Likewise, in agreeing to abide by the court order, Greenpeace probably also judged discretion to be the better part of valour. It could have survived the damages – last year it had global income of some $140m. But BP is not the easy target that Shell was over Brent Spar. Not only has it a better environmental record but Greenpeace would have struggled to launch a convincing campaign when there is no prima facie environmental threat.

Laura Ashley

The gap between articulating a strategy and successful implementation can be wide. That is the inhospitable terrain Laura Ashley occupies. When Ann Iverson, chief executive, took over, the company certainly needed an overhaul. The brand was jaded and over £50m ($81.5m) losses had been racked up in six years. The problem is that while Ms Iverson's diagnosis was largely sound, her remedial efforts have been so aggressive as to risk the company's health further.

There have been many mistakes: bad recruitment, bad merchandising, over-aggressive expansion. All have their roots in Ms Iverson's decision to pursue revolntionary change when something more evolutionary was required. The price is no profit this year. The fear is that the worst may still lie ahead. Improving performance in the US, concentrating on the supply chain, returning to normal pricing – these are all necessary steps, but it is far from clear they can ensure a return to profits next year.

The group will need to make enormous progress if it is not to make a loss in the US. Moreover, personnel changes are likely to disrupt its ranges well into next year, possibly prompting further losses of customers and sales. Ms Iverson will need all her formidable resolve to pull the company out of the hole she has helped dig.

UPS strike ends after new offer

Continued from Page 1

within the parameters of allowing us to be competitive."

Mr Kelly said the company would be working as hard as it could to win back tbe business it had lost during the strike, but waroed that job losses were probable in the sbort term.

Bob Brusca, chief economist of Nikko Securities, said it was not yet clear whetber the strike marked a turning point in industrial relations.

● The German transport union OeTV has dropped plans for solidarity actions in Germany following the UPS deal.

Elf discovers oil off Angola

Continued from Page 1

of the well yet," said an oil analyst at a French brokerage. "The discovery could increase Elf's known reserves by up to 10 per cent, wbich wonld imply a share price of FFr850 by next year."

Elf said it did not know bow soon exploitation could start. Girassol is dne to start prodnction in 2000 and expected to prodnce 200,000 barrels per day. Elf said its objective for Dalia's ontput was "of tbe same order of magnitude".

Fed holds rates for clearer signs

By Nancy Dunne in Washington

The US Federal Reserve yesterday left short-term interest rates unchanged, delaying action until further data gave a clear signal about the strength of inflation and the direction of the US economy.

At 3pm, the Dow Jones industrial average was up 49.24 at 7,852.6.

Confusion abounds about the direction of the economy. Some economists – Alan Greenspan, tbe Fed chairman, for one – believe productivity has been vastly underestimated in the "New Economy" and this has helped keep inflation in line. Statistics have yet to hear out that theory, althougb some government economists share Mr Greenspan's view.

Thus far, there is virtually no price inflation, and outright deflation has occurred on the wholesale level with the Labour Department's producer price index falling in July for an unprecedented seventb straight month.

Institutional Strategy and Investment, a New York brokerage, has developed a new Company Survey Index, to measure current economic strength. Its four-week moving average indicates a strengthening in the economy. Jason Trennert, vice president, said this pointed to a Fed tightening by the end of the year. "In an environment where the inflation data continue to surprise on the downside, at least at the producer level, Mr Greenspan's acute political antennae will surely be telling him that a rate rise will have to be fully justified by a decent run of significantly stronger growth numbers," said HSBC Group, the international banking and financial services organisation.

Much depends on the continued strength of retail sales. The outlook is cloudy because real earnings fell 1 per cent, seasonally adjusted in July, ending tbe quarter with an anaemic 0.2 per cent net rise and a 0.8 per cent annual rate.

In his weekly commentary, Mr Bruce Steinberg of Merrill Lynch, the New York investment bank, predicted that the Fed would hold monetary policy steady for the rest of the year. Analysts at Goldman Sachs said they anticipate "only one additional tightening move of 0.25 percentage points this year".

Ed Yardeni of Deutsche Morgan Grenfell yesterday said it would be October before the market received clear signals about the economy, because August and September figures would be "messed up" by the fall-out of the now-resolved strike at United Parcel Service.

World stocks, Page 28

FT WEATHER GUIDE

Europe today

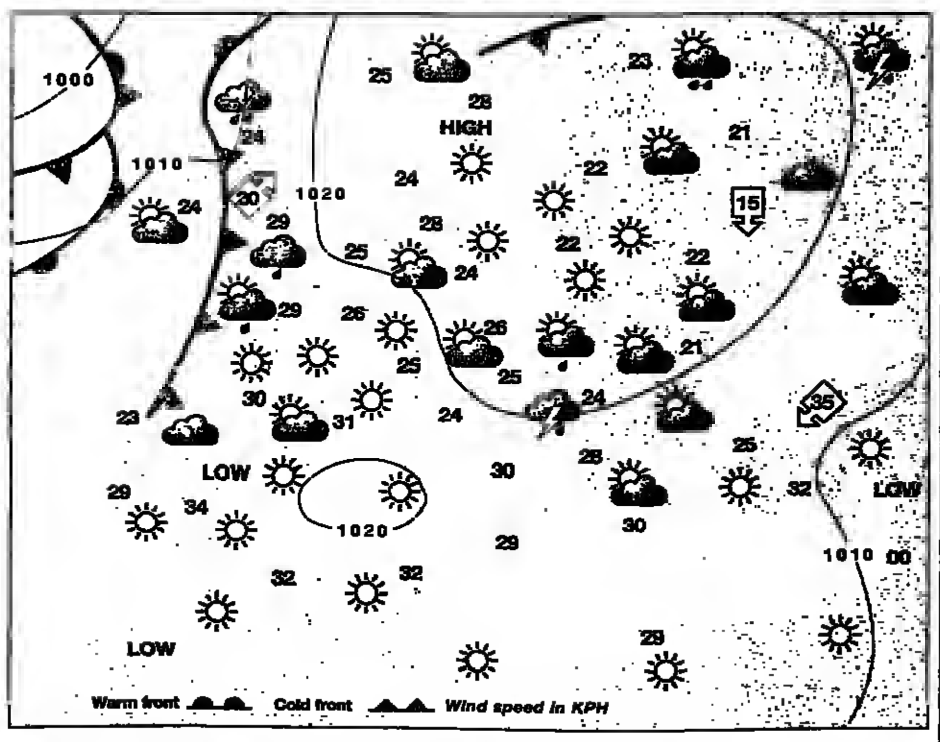
Tha Mediterranean will continua hot and sunny, although there may be soma thundery showers over southern Italy and the Adriatic. There will be thundary showers in tha Balkans, tha Alps and Hungary, but there will also be spells of hot sunshine.

Soma showers are likely over north-westarn Franca and the Low Countries — but they should be mainly in the afternoon and fairly isolated. Southern Finland and northern Russia will have sunshina and showers. The rest of Europe, including Scandinavia, should have a warm day with plenty of sunshine.

Five-day forecast

It should become gradually cooler and cloudier, with occasional showers later in the week, in north-western Europe, especially in western Scandinavia. The rest of Europe should be very warm with plenty of sunshine, but eastern Europe through to tha Balkans and Greeca are likely to have some thundery showers.

It will be hot in Iberia.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celcius										
		Beijing	Cloudy 31	Caracas	Fair 32	Faro	Sun 29	Madrid	Sun 34	Rangoon	Thunder 30
		Belfast	Cloudy 24	Cardiff	Cloudy 23	Frankfurt	Sun 27	Majorca	Sun 31	Reykjavik	Drzzl 17
Abu Dhabi	sun 39	Belgrade	Sun 24	Casablanca	Sun 27	Geneva	Fair 25	Malta	Sun 30	Rio	Fair 31
Accra	fair 27	Berlin	Sun 27	Chicago	Shower 23	Gibraltar	Fair 27	Manchester	Shower 26	Rome	Fair 30
Algiers	sun 32	Bermuda	Fair 30	Cologne	Thunder 26	Glasgow	Shower 23	Manila	Shower 32	S. Frsco	Fair 23
Amsterdam	thunder 25	Bogota	Thunder 18	Dakar	Fair 31	Hamburg	Sun 27	Melbourne	Fair 15	Seoul	Shower 32
Athens	fair 30	Bombay	Thunder 32	Dallas	Sun 36	Helsinki	Cloudy 23	Mexico City	Fair 28	Singapore	Fair 31
Atlanta	thunder 31	Brussels	Sun 26	Delhi	Thunder 30	Hong Kong	Shower 34	Miami	Thunder 33	Stockholm	Fair 26
B. Aires	Fair 15	Budapest	Sun 26	Dubai	Sun 40	Honolulu	Shower 32	Milan	Shower 25	Strasbourg	Sun 27
B.Ham	Fair 28	C.Hagen	Sun 24	Dublin	Fair 24	Istanbul	Fair 25	Montreal	Fair 23	Sydney	Shower 16
Bangkok	Thunder 34	Cairo	Sun 31	Dubrovnik	Cloudy 25	Jakarta	Fair 32	Moscow	Cloudy 21	Tangier	Fair 29
Barcelona	Sun 28	Cape Town	Fair 23	Edinburgh	Fair 22	Jersey	Fair 21	Munich	Fair 25	Tel Aviv	Sun 30
						Karachi	Fair 36	Nairobi	Fair 25	Tokyo	Shower 30
						Kuwait	Sun 44	Naples	Thunder 29	Toronto	Fair 21
						L. Angeles	Sun 26	Nassau	Shower 33	Vancouver	Fair 21
						Las Palmas	Sun 27	New York	Shower 26	Venice	Cloudy 24
						Lima	Cloudy 24	Nice	Thunder 28	Vienna	Fair 26
						Lisbon	Sun 29	Nicosia	Sun 32	Warsaw	Fair 23
						London	Fair 29	Oslo	Sun 25	Washington	Shower 22
						Lux.Bourg	Sun 26	Paris	Fair 29	Wellington	Shower 11
						Lyon	Fair 31	Perth	Fair 16	Winnipeg	Shower 21
						Madeira	Fair 27	Prague	Fair 24	Zurich	Fair 23

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

OMV doubles its profits to $241m

OMV, Austria's biggest industrial group, more than doubled its earnings before interest and tax to Sch3.1bn ($241m) in the first half of 1997. The result helps explain why the oil and gas group has been the year's top performing big share on the Austrian stock market. Page 12

BAA admits to rail link cost rise
BAA, the British airports operator, said the cost of building its new Heathrow Express rail link from London's Paddington station would be much higher than earlier estimates. Construction costs would be about £440m ($708m) by the time the project was completed in June. Page 15

Eldorado backs out of Gencor deal
Eldorado, the Canadian gold mining company, has withdrawn from a deal to buy mining interests in Ghana and South Africa from Gencor, the Johannesburg-listed precious metals group, giving more avidence of the effect the weak gold price is having on the world market. Page 14

Atlético Madrid may seek stock listing
Atlético Madrid is "ready to listen" to proposals from investment bankers to make it the first of Spain's first division football clubs to seek s listing, according to Alvaro Gómez, its finance director. He said a flotation would be relatively easy since the club was already constituted as a limited company. Page 12

Acquisition aids Handelsbanken surge
Svenska Handelsbanken, Sweden's largest bank, posted a 26 per cent jump in interim operating profits, helped by new business from its SKr23bn ($2.87bn) acquisition of Stadshypotek, the mortgage lender. Page 12

Canon Sales posts record first half
Canon Sales, which distribntes the products of Canon, the office equipment and camera mannfacturer, reported record first-half profits and sales. Sales were Y405.36bn ($3.44bn), up 10.8 per cent from the previous year. Page 13

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
Deutsche Babck	129.1	+ 4.6
Heidelb Zem	151.5	+ 6.5
Herlitz	152.8	+ 5.8
Holzmann	604	+ 27
Porsche	2650	+ 190
Volkswagen	1367	+ 82
NEW YORK ($)		
Rises		
Bay Network	36⅝	+ 3
Gateway 2000	39¾	+ 2⅜
Wern Digital	51¼	+ 2⅜
Falls		
Beijing Yanhua	16½	− 1⅜
Comprehensive	11	− 1¼
Extend Stay Am	14½	− ¾
LONDON (Pence)		
Rises		
Bailey (B)	47½	+ 6½
Gaskell	205	+ 28½
Parity	533	+ 41
Scotia	915	+ 35
Falls		
Archer Ded	90	− 10
Primesight	110	− 16½
TORONTO (C$)		
Rises		
Alphanet Tel	14.75	+ 1.75
London Ins	33.60	+ 6.55
Mackenzie Inv	32	+ 3
Metronet	11	+ 1
Trilon Fin A	9.7	+ 1.0
Falls		
Med Chem Hlth	3.00	− 0.75

PARIS (FFr)		
Rises		
BNP	281.8	+ 11.8
Dassault Syst	388.5	+ 10.5
Elf Aquitaine	686	+ 38
Pernod Ricard	308.7	+ 9.7
SGS-Thomson	590	+ 35
Valeo	372.5	+ 14.7
TOKYO (Yen)		
Rises		
Aoyama Trading	3850	+ 200
Citizen Watch	974	+ 48
Yaskawa Elec	502	+ 36
Falls		
Hirose Elec	8930	− 370
[illegible]	360	− 22
JGC Corp	512	− 51
HONG KONG (HK$)		
Falls		
Amoy Props	8.55	− 0.40
Cathay Pac Air	13.35	− 0.85
Cheung Kong	87.25	− 4.75
Guoco Group	39.3	− 3.2
Henderson Land	66.75	− 3.50
Hutchison Whmp	75.25	− 4.50
BANGKOK (Baht)		
Rises		
Crown Seal	14.75	+ 1.25
Land & House	30.75	+ 2.75
Thai Setakij	39.5	+ 3.5
Falls		
Italian-Thai	74	− 8
Kang Yong Elec	88	− 7
Nation Multimd	29.50	− 3.25

New York and Toronto prices at 12:30.

MCI seeks deal on merger

Concession on access to UK network

By Clay Harris and Alan Cane in London

MCI Communications bas offered e significant concession to the US Federal Communications Commission in an effort to win swift approval of its merger with British Telecommunications.

The concession on sccess for foreign carriers to the UK telecommunications network will delight AT&T and other operators which complain they are put st a disadvantage by Britain's competition policy.

MCI's offer, made with BT's knowledge, eupports the US company's repeated pleas to the FCC – including an appeal by Mr Tim Price, its president and chief operating officer – to speed up approval of the merger.

The network access concession concerns "carrier preselection", s mode of competition stipulated by the FCC and European Commission. This ensbles customers to decide which long-distance carrier they want to use. In the UK, competing operators have to build tbeir own network or force their customers to use a three-digit prefix to bave calls carried over BT's lines.

MCI has proposed that if BT does not provide the concession, then the FCC would be eotitled to block BT's calls to the US via MCI.

Tbe urgency with whicb MCI is seeking approval is further evidence that the US company does not expect BT to seek a re-negotiation of tbe merger's terms. The deal was called into question last montb after MCI – the second largest US long-distance operator – revealed tbat its expansioo plans in tbe local telepbone market would lose $800m next year.

Althougb tbe FCC bas oo direct interest in the the value of the offer, analysts and MCI iovestors believe it unlikely that the US company would press the agency, obliging it to work overtime during August, only to announce within weeks that the merger was to be delayed until revised terms could be spproved by the two groups' sharebolders.

The FCC does not plan to bold a formal meetiog to approve the deal, but will send tbe necessary documents to commissiooers to be signed.

MCI's routine 10-Q quarterly report filed last week with the US Securities and Exchange Commiesion disclosed no doubts over the merger, leading most securities lawyers to conclude that no substantive changes had been discussed.

The gap between the value of BT's offer and MCI's share price has narrowed, suggesting an expectation that the merger will proceed on unchanged terms. The premium of tbe offer over MCI's price bas fallen from 19.8 per cent on Fridsy to 12.4 per cent by midday yesterday in New York. In s rising London stock market, BT shares fell 2p to 379¼p. At this level, its stock-and-casb offer values MCI st $28.37bn (£17.66bn), or $23.06bn for the 81.3 per cent which BT does not already own.

Bayer up on back of chemicals recovery

By Graham Bowley in Frankfurt

Bayer, the German chemicals and drugs group, overcame a drop in prices and higbar tban expected extraordinary charges to report s strong rise in profits and sales in the first half of 1997.

The group surprised investors with the strength of the recovery at its chemicals business, following cost-cutting and restructuring to help turn the division around.

Stronger demand in the Americas combined with the weakness of the D-Mark to fuel an 11 per cent increase in overall sales to DM27.4bn ($15.05bn), in line with analysts' expectations.

The group repeated its forecast for sales to exceed DM50bn in 1997. It said thet earnings would be higher than in 1996 after revealing thet net profit rose 13 per cent in the first balf of the year to DM1.7bn, helped in part by a lower tax rate.

Bayer shares, whicb fell sharply in early trading, recovered to end up DM1.45 at DM71.45.

Analysts said investors were initially disappointed by the pre-tax income increase of 2.5 per cent, to DM2.8bn, but were reassured by the big rise in cash flow to DM3.2bn, an increase of 18 per cent.

The group's healthcare husiness operating result disappointed, falling to DM766m from DM1.04bn in the first half of last year. This was put down to higher than expected research and development charges and marketing costs in the US.

The chemicals division, which has been lifted hy s cost-cutting deal with its workers in Germany in return for joh guarantees, posted a 52 per cent rise in the operating result to DM348m.

Analysts were impressed by the resilience of the polymers division – the group's largest business segmeot – in the face of sharp declines in selling prices and higher raw material costs.

Ronald Köhler, chemicals analyst at BHF Bank in Frankfurt, said Bayer was now well placed for the secood half of 1997. "Bsyer is a good long-term investment still, especially due to good healthcare and pharmaceutical products which are in tbe pipeline," he said.

Bidders line up for London Insurance Group

By Scott Morrison in Vancouver

The prospect of s takeover battle for London Insurance Gronp, Canada'e biggest underwriter of individual life policies, opened up yesterday with a C$2.9bn (US$2.08bn) bid from Great-West Lifeco, the Canadian insurance holding company.

Its offer tops a friendly bid of C$2.4bn made by Royal Bank of Canada seven weeks ago.

If successful, it would make Great-West the largest insurer in Canada, with assets of C$52.8bn and annual revennes of C$11.6bn.

"It's a tough offer for the bank to beat," one insurance analyst said.

While Grest-West could share systems and procedures with the London group, Royal Bank would not be able to create the same efficiencies.

Royal Bank would make no immediate comment beyond saying that under the terms of its offer, it must simply match s competing hid within three days.

The agreement inclndes a provision that Royal receive a C$70m termination fee if London Life supports a competing bid.

The bid comes amid a wave of consolidation in Canada's financial sector, after s decade of financial dercgulation which has resulted in several big Canadian banks moving to acquire investment banks and trust and loan companies.

Great-West has linked with Investors Gronp, Canada'e leading personal financial services company, in making its offer, which would be paid in cash, shares or a combination.

Investors Group would acquire up to 10 per cent, or C$600m, of Great-West's common equity, conditional on Great-West acquiring at least 90 per cent of all the outstanding London Insurance Group common shares.

Great-West's move surprised some analysts, who said that several years of discussions between the two insurers had yielded few results.

However, the announcement has prompted rumours that Manulife Financial, which prides itself on being the country's biggest insurance provider, could also mount a bid for London Life.

Success for Great-West would reinforce an independent insurance sector.

The offer, to be financed from Great-West's available cash resources and the issue of preferred and common shares, would be subject to regulatory approval.

Great-West reported net earnings of C$289m last year.

Raymond McFeetors, Great-West's chief executive, said his company would preserve the identity of London Life, keeping its salesforce separate and maintaining head office operations in London, Ontario.

London Life last week announced it was selling its US annuity subsidiary, Security First Group, to New York-based Metropolitan Life Insurance Group for C$525m.

The sale was seen as a strategic move, because the Canadian insurer would have been required to make a substantial cash infusion into its US subsidiary to become a larger, lower-cost operator in the increasingly competitive US market.

Armani group restructures

Moves by fashion designer Giorgio Armani have prompted speculation that he may attempt a stock market flotation Picture: Popperfoto

By Alice Rawsthorn in London

Giorgio Armani, the Italian fashion designer who dresses stars such as Jodie Foster and Eric Clspton, has unveiled plans to restructure his business interests, fuelling speculation that he may stage a stock market flotation.

The rumours of an Armani share issue follow last month's murder in the US of Mr Armani's long-time rival, Gianni Verssce, who had planned to take his company public next spring. Ralph Lauren, the US fashion designer, staged a successful flotstion in New York earlier this summer.

Mr Armani's proposed restructuring is intended to rationalise the web of business interests he has created since founding his Milan-based fashion house in 1975. His holding company expects the wholesale value of the clothing, perfume and other licensed products besring the Giorgio Armsni hrand to reach L1,350bn ($758m) this year.

Under the new corporate structure, which comes into effect early next year, all Mr Armani's Itslian retailing activities, including the eight Giorgio Armani boutiques selling his resdy-to-wear collections and 53 stores stocking the sportier, less expensive Emporio Armani line, will come under the aegis of a new company, San Andrea.

The stores outside Italy, encompassing 51 Giorgio Armani boutiques and 80 Emporio Armani outlets, will he controlled separately. The foreign stores will be owned by the Armani group, as will San Andrea and s 53 per cent stake in Simint, a publicly quoted clothing manufacturer. Financial and design activities will be controlled by Mr Armani.

The restructuring plan has been interpreted by analysts as a prelude to formal proposals for the Giorgio Armani group to go public in Milan and, possihly, New York.

Mr Lorenzo Iori, a fashion industry analyst at Murchio, the Milan securities house, said an Armani flotation seemed "probable". Mr Angelo Di Cresce, head of sales at InterSIM, described a share issue as being "very interesting for investors".

The vogue for fsshion designers to go public began two years ago when Gucci, the Italian leather maker, floated in New York and Amsterdam.

Since then, the luxury goods market has flourished, bnoyed by strong growth in the US and other established markets.

Laura Ashley chairman backs leadership policy

By Christopher Price in London

The chairman of Laura Ashley yesterday gave a strong vote of confidence to Ann Iverson, chief executive of the troubled retail group.

John Thornton, chairman, said: "Ann is pursuing the right strategy . . . and will be able to turn the company around – although it will take time." His support came as the retail group said it would make losses in the first half and would only break even in the full year. It will make 40 per cent of its garment workforce redundant and curtail an ambitious shop expansion programme in the US.

Shareholders have become restless over the recent sharp fall in the company's share price, which followed a profits warning in April and the subsequent departure of two directors and a senior manager.

Investor unease has led to discussion about Ms Iverson's future. She was brought in from Mothercare two years ago to turn the then loss-making company around.

Ms Iverson, who was paid £1.1m ($1.8m) last year, said: "I am 110 per cent committed to this job. I am completely confident we have the right strategy." She added that the "disappointing" trading position would be reflected in her performance-related remuneration this year. "It will definitely be lower," she said.

Laura Ashley, famous for its chintz and floral prints, said pre-tax losses in the first half would he £4.5m, compared with interim profits last year of £5.2m. It said it would break even for the full year to January 27. The group made pre-tax profits of £10.3m last year.

About £1m of the first-half's losses would pay for the closure of garment fsctories at Caernarfon and Mschynelleth in Wales, with the loss of 190 jobs. The company would then employ 237 people in the clothing husiness, with 440 involved in the bome furnishing side.

Ms Iverson said the company's expansion plans had been undermined by its supply and distribution system. "We have not been able to get some of our best-selling items to market, while those not selling are still arriving." Urgent sction was being taken over this.

The company will also make a provision of £900,000 against the clearance of excess stocks, a result of bsving overestimated demand. A slowdown in bome furnishing sales in the second quarter had added to the problem. The group's gross margin had dropped from 48 to 40 per cent.

Ms Iverson said her strategy, of moving into larger outlets had been hit hy "a lack of awareness". She hoped s £2m promotional campaign would address the problem. But the poor sales were expected to hit trading in the second half.

Total shop sales for the 26 weeks to July 26 rose 17 per cent, with underlying sales ahead 11 per cent. After adjusting for sterling, total sales were also up 11 per cent. Stock balance declined from £93.1m at the year-end to £76.8m.

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Acquisition aids Handelsbanken surge

By Greg McIvor in Stockholm

Svenska Handelsbanken, Sweden's largest bank, yesterday posted a 26 per cent jump in half-year operating profits, helped by new business from its SKr23bn ($2.9bn) acquisition of Stadsbypotek, the mortgage lender.

The bank said loan synergies from the deal had been greater than expected in the first six months. Cross-selling of bank loans to Stadshypotek customers had far exceeded expectations and compensated for an anticipated fall in mortgage lending volumes.

Handelsbanken, which acquired Stadsbypotek in February, was braced to lose some of its expanded market share after the purcbase because not all Stadshypotek's customers were expected to stay with tbe new group.

Bnt Arne Martensson, Handelsbanken chief executive, said the growth of bank loans to Stadsbypotek customers suggested the expanded group's share of total Swedish lending was unchanged during the second quarter, at 30.4 per cent.

The synergy henefits belped to lift Handelshanken's net interest income from SKr4.6bn to SKr5.4bn. Bank loans have a higher average margin than mortgage lending.

The results cheered investors as Handelsbanken's most-traded A shares rose SKr4 to SKr252.

Handelsbanken's total lending increased by SKr9bn in the second quarter, mainly owing to Stadshypotek. Excluding the acquisition, the margin between deposit and lending rates was largely unchanged.

The strong advance in operating profits, from Skr3bn to SKr3.8hn, was almost entirely due to a sharp decline in bad loans.

Net loan losses fell 74 per cent, from SKr892m to SKr229m, or to 0.1 per cent of total lending.

Excluding credit losses, profits rose only 1 per cent, from SKr3.96bn to SKr4.01hn. Earnings per share climbed from SKr9.70 to SKr12.38.

Mr Martensson predicted overall lending growth would remain slow. He reaffirmed a previous forecast that Stadshypotek would hsve a SKr1.5bn positive impact on full-year profits.

Reflecting an increasing tendency for Scandinavian banks to enter each other's territory, Handelsbanken is planning to open two new branches this year in Norway, Finland and Denmark, in addition to six new Swedisb branches.

The effect of this expansion was seen in Handelsbanken's overheads. Costs rose 19 per cent to SKr4bn – 52 per cent of total income – although 13 per cent of the rise was attributed to the Stadshypotek acquisition.

Handelshanken's capital ratio was 9.5 per cent against 12.2 per cent at the year end.

Atlético to tackle question of float

By David White in Madrid

Atlético de Madrid, ever sensitive about being known as the Spanish capital's "other" football team, is set to recapture the limelight from its rival Real Madrid – if not in the stadium, then in the stock market.

The club is "ready to listen" to proposals from investment bankers to make it the first of Spain's star-packed first division soccer clubs to seek a listing, according to Alvaro Gómez, finance director. "It could be a great company," he said.

Atlético won a "double" last year, taking botb the Spanisb league and cup titles, escb for the ninth time. As consolation for failing to win s title in the 1996-7 season it has turned its losses into a provisional Pta400m ($2.6m) annusl profit and outbid Tottenham Hotspur to sign Brazilian mid-fielder Juninho from Middlesbrough for $20m.

An investment banker familiar with Atlético yesterday warned the cluh would not be ready to join the stock market for some time. "It's completely unfloatable in its present form," he said, referring to the complex state of the club's finances.

But Mr Gómez said a flotation would be relatively easy for Atlético, since it was already a limited company, with tbe majority in the hands of one shareholder – Jesús Gil y Gil.

Mr Gil y Gil, who combines the Atlético chairmanship with the msyorship of Marbella, controls more than 75 per cent of the shares and would be expected to maintain effective control.

Mr Gómez said Spanish teams had not yet followed the example of their English counterparts snch as Manchester United and Newcastle hecause few meet the conditions set for newly listed companies.

These include showing profits for the last two years, or three of the last five years, although the Spanish securities commission recently gained powers to waive these conditions.

Miguel Angel Gil Marin, Atlético general manager, son of the chairman and one of five relatives on the board, indicated tbst the cluh intended to discuss the project with Merrill Lynch, HSBC, Banco Bilbao Vizcaya's BBV Interactivos and Apax Partners, the venture capital group whicb bas helped a number of English clubs onto the stock market.

NatWest Markets, tbe investment hanking arm of National Westminster Bank, has also been studying flotation prospects for Spanish clubs.

Mr Gil Marin claimed Atlético had received a Pta15bn offer from an unidentified private British investor for a 25 per cent holding, indicating a total value of Pta60bn. A decision on whether to press ahead with the flotation is due in the autumn.

The Spanish clnbs likely to have the strongest investor appeal – Real Madrid end Barcelona, both with huge memberships and high international profiles – would have to convert into limited companies before contemplating flotation.

Most other first divislon cluhs hecame "joint-stock sporting companies" under a 1989 government plan to belp tbem rebuild their finances.

Juan Onieva, Real Madrid treasurer, dismissed speculation ahout possihle stock market amhitlons. "This club does not belong to its managing board but to its members," he said.

Barcelona bas also denied contemplsting a flotation. But Josep Lluís Núñez, chairman, has said that if it did It would he worth at least Pta80bn.

Juninho: $20m consolation for the club after failing to win a title in the 1996-7 season Allsport

OMV jumps after recovery at refining arm

By William Hall in Zurich

OMV, the Austrian oil and gas group, more than douhled earnings before interest and tax to Sch3.1hn ($242m) in tbe first half of 1997.

The increase, whicb was well above analysts' expectations, was attributed chiefly to a Sch1.24bn recovery at its marginally profitable marketing and refining operations and to a near quadrupling in the contribution from its exploration and production division to Sch420m.

The turnround in refining and marketing was due to higher prices, especially for ethylene and propylene, and increased sales volumes for petrocbemical products. The company included a Sch360m restructuring charge in the division's results

The exploration and production arm saw earnings boosted hy strong dollar prices and a reduction in exploretion expenses.

By contrast, earnings of tbe group's gas business, which traditionally contributes the bulk of profits, fell 11 per cent to Sch810m, while chemical earnings fell 18 per cent to Sch280m, because of increased feedstock prices.

OMV shares, which have doubled in value since the end of 1995, jumped more than 6 per cent to Sch1,761 yesterday on the Vienna bourse.

Jeremy Hudson, an analyst at Salomon Brothers, called it a "stunning result", while Lehman Brothers said it was increasing its estimates for OMV's 1997 earnings from Sch80 a share to Sch90.

In 1996, OMV had earnings of Sch73 a share.

However, estimates of OMV's earnings are complicated by quarterly variations in the way the company accounts for restructuring charges. After adjustments for this, Lehman forecasts "clean" 1997 earnings of Sch106.

OMV has cut its workforce by about a third, to 8,500, over the past five years, and Heinrich Stahl, chief financial officer, said it planned to sbed another 1,000 jobs by the end of next year. This would involve a Sch2bn provision, some of wirich had been taken already.

Mr Stahl said the group was on target to reach its goal of a 10 per cent return on capital employed by 1999, but he warned that the second half of the current year was unlikely to match the first.

Although the group's refining and marketing operation had become the biggest contributor to profits in the current half, he did not expect it to dislodge the gas business over the long term.

OMV's sales grew 21 per cent to Sch45.3bn in the latest half-year.

Net income rose 9 per cent to Sch1.35bn owing to higher taxes and extraordinary charges.

EUROPEAN NEWS DIGEST

ISS returns to the black

ISS International Services System, the Danish contract cleaning group, yesterday posted first-half net profits of DKr83m ($11.95m), against a loss of DKr2.02bn last year, wben the group was hit by accounting irregularities and other problems st ISS Inc, its US subsidiary, which was subsequently sold. Turnover from the continuing husinesses rose 10 per cent from DKr5.23bn to DKr5.75bn. Profits after net finances rose from DKr222m to DKr260m. Earnings per share were DKr2.79.

The group said there was progress in sales and operating profits in all its remaining divisions in Scandinavia, Europe, Brazil and Asia. The balance sheet was also strengthened after last year's problems in the US, with the equity to assets ratio improving from 15.4 per cent a year ago to 21.2 per cent on June 30. Bank debt was cut by DKr300m to DKr1bn. A short-term DKr1.25bn facility with Unibank established in January was replaced with a five-year DKr700m facility. The group forecast an increase in sales from organic growth of about 8 per cent this year, and earnings before depreciation are expected to increase by more. *Hilary Barnes, Copenhagen*

■ ISRAELI BANKING

First International rises 23%

The First International Bank of Israel yesterday reported s 23 per cent rise in first-half net income, which it attributed to lower than expected provisions for doubtful debts and a surge in income from securities activity.

First-half net earnings rose from Shk81.7m last year to Shk100.2m ($28.5m) this time. Operating and other income grew 18.3 per cent to Shk257.3m, as the bank gained from the rise in turnover and prices on the Tel Aviv Stock Exchange, as well as an increase in foreign currency and credit card activity.

Total assets grew 18 per cent to Shk34.7bn. Total assets were Shk31.7bn for the whole of 1996. Provisions for doubtful debts were Shk34.4m, compared with Shk31.3m during the first half of 1996. Daniella Finn, analyst at Ilanot-Batucha Investment, said the small provisions helped boost growth as the bank continued to tap the business sector rather than the retail market as its main customer base. *Judy Dempsey, Jerusalem*

■ DENMARK

BG Bank jumps 47%

BG Bank, Denmark's third ranking bank, increased first-half pre-tax profits hy 47 per from DKr847m to DKr1.25bn ($180m), and net profits rose from DKr821m to DKr1,06bn. Return on equity capital rose from 25.5 per cent to 26.5 per cent and earnings per share from DKr1,49 to DKr1.52. The bank improved net interest earnings by DKr156m to DKr3,194m.

Gains on the value of securities held rose hy DKr161m to DKr279m, and loan loss provisions were cut by DKr122m to DKr175m, about 0.3 per cent of lending commitments. *Hilary Barnes*

■ FLOORING MERGER

Tarkett wins US approval

Tarkett, the German floor covering company, said yesterday it had won US regulatory authorities' approval for its merger with France's Sommer Allibert. Tarkett plans to merge its floor covering business with Sommer Allibert to create Tarkett-Sommer, which would become a world leader in this segment with worldwide annual sales of DM2.6bn ($1.41bn), 27 plants and 8,800 employees. Armstrong World Industries, a rival US company, had sought to hlock the merger deal. Tarkett said it was seeking merger approval from German authorities.

The merger, announced in May, involves Sommer Allibert taking a 60 per cent stake in Tarkett in a deal valuing Tarkett shares at DM32.75. *Reuters, Frankfurt*

■ INSURANCE

Life arm lifts Trygg-Hansa

Strong investment returns and growth in life assurance belped Trygg-Hansa, the Swedish insurer, lift first-half profits by 42 per cent. Pre-tax profits advanced from SKr1.5bn to SKr2.1hn. Gross premiums rose from SKr5.98bn to SKr6.4bn.

Income from asset management and other investment sources climbed from SKr1.8bn to SKr2.2bn, amounting to 11.4 per cent of the value of managed assets. Trygg said the return was mainly because of the performance of its Swedish equities portfolio. Operating profits at the life insurance and savings operations rose from SKr25m to SKr163m, reflecting strong growth in new unit-linked premiums. These grew from SKr390m to SKr737m. However, operating profits from non-life insurance dropped from SKr367m to SKr170m. *Greg McIvor, Stockholm*

■ SWEDEN

Disposal buoys Trelleborg

Trelleborg, the Swedish mining, metals and rubber group, yesterday reported a rise in half-year pre-tax profits from SKr657m to SKr2bn ($250m) on sales up from SKr10.6bn to SKr11.8bn. The figures included a SKr1.3bn gain from the sale of a 55 per cent stake in Trelleborg's Boliden mining division, which has been listed on the Toronto Stock Exchange.

Stripping out exceptional items, operating profits rose from SKr563m to SKr733m. The improvement was ascribed to lower raw material costs and reduced production costs, as well as currency shifts. Earnings were slightly below market expectations, hut Trelleborg's most-traded B shares closed unchanged at SKr127.

Boliden's operating profits rose from SKr339m to SKr391m on turnover down from SKr4.3bn to SKr4bn. Trelleborg said lower production costs outweighed lower revenues. Profits were helped by higher zinc prices in the second quarter, stable copper prices and a stronger US dollar. *Greg McIvor*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Mayr-Melnhof advances 21%

By Eric Frey in Vienna

Mayr-Melnhof, the Austrian carton and packaging group, yesterday reported a 21 per cent increase in first-half net income and predicted a sharp profits increase for the full year.

"We are optimistic for the second half and expect an operating profit of Sch1bn [$78m] for the full year," said Michael Gröller, chairman.

In 1996, MM reported operating earnings of Sch770m.

Net income in the first six months climhed from Sch247m to Sch298m as the carton and packaging divisions operated at full capacity. The recycled paper arm, however, suffered from low prices for waste paper and from oversupply. First-half group sales advanced 4 per cent, from Sch5.295bn to Sch5.528bn.

The results were better than analysts had expected, and MM shares climbed 4.6 per cent to Sch732 on the Vienna bourse yesterday.

The company also benefited from the integration of recent scquisitions. MM still wants to expand in fields such as cigarette packaging, especially in eastern Europe, Mr Gröller said.

In two years, MM will present its annual results based on the US GAAP accounting principles in a move to make the shares more attractive international investors.

● Austrian Airlines, the national carrier, yesterday reported a pre-tax profit of Sch8m for the first six months of 1997 after a deficit of Sch313m a year earlier.

The airline said it expected to triple pre-tax earnings for the full year, to Sch300m, following the traditionally strong summer season.

Austrian attributed its positive results to better use of its routes and to the strategic alliance with Delta Air Lines, of the US, Swissair and Belgium's Sabena.

Group revenues increased 13 per cent to Sch5.5bn, but costs also climbed because of the higher dollar and rising fuel prices.

The company said that it would pay a dividend for 1997 – the first since 1991.

COMPANIES AND FINANCE: ASIA-PACIFIC

Fairfax upbeat despite 15% decline

By Elizabeth Robinson in Sydney

John Fairfax, the Australian newspaper group, yesterday reported a 15 per cent fall in annual net profits to A$73.94m (US$54.6m) but pointed to a stronger second half that gave encouraging signs for the current year.

Earnings before interest, tax, depreciation and amortisation rose 6.7 per cent to A$253m, but the second-half result was 20 per cent higher, thanks largely to cost cuts and economic improvement.

The company said the result was "pleasing" in the stagnant economic conditions for much of the year.

Alex Pollak, media analyst at Macquarie Bank, said margins in the second half were 68 per cent, which was "a tremendous figure". "This sets them up incredibly well for the next 12 months," he said.

Although advertising volumes were 2 per cent lower than last year, the publisher said higher yields resulted in a 2.7 per cent rise in advertising revenue. Increased newsprint consumption was largely offset by lower prices, and Fairfax's newsprint prices will be 9 per cent lower in the current year, according to Mr Pollak.

Earnings per share were 9.28 cents, after 10.99 cents last year.

The dividend is unchanged at 6 cents.

Fairfax may also be on the brink of an ownership contest as the federal government reviews laws on company takeovers and on media cross-ownership.

The largest shareholder in Fairfax is Brierley Investments, the New Zealand investment group, which is trying to lift its 20 per cent stake to 24.96 per cent, just under the maximum allowed under current rules on foreign ownership.

Brierley sought approval from Fairfax's other shareholders, as required by Australian takeover rules, to buy the extra 4.9 per cent, which was refused. Instead, Merrill Lynch, the US bank, bought this stake and agreed a cash settlement swap deal with Brierley.

Last week the Australian Securities Commission, the industry watchdog, called this pre-arranged share deal "unacceptable" because it was similar to warehousing – whereby a group holds shares for another – which is illegal in Australia.

The commission called on the takeover panel to review the arrangement and said yesterday that if the panel found in Brierley's favour, it would review the Corporations Law.

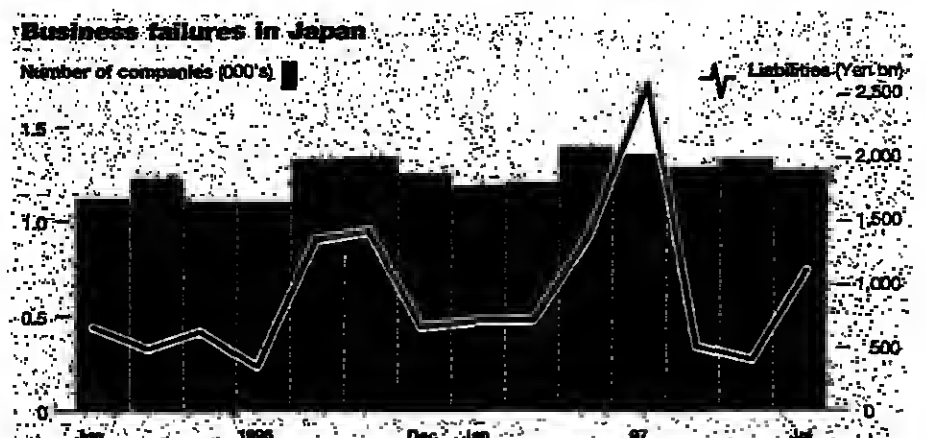
Another big shareholder in Fairfax is Mr Kerry Packer's Publishing and Broadcasting with 14.9 per cent, just below the 15 per cent allowed under cross-media ownership rules.

Mr Packer, who controls the Channel Nine television network, has made no secret of his desire to increase his stake in Fairfax. He is seen as building a war chest in anticipation of the government widening ownership rules in line with an election promise. Last month PBL sold a stake in a US print insert group for US$432m.

Kerry Packer: wants to lift his stake in Fairfax Popperfoto

Fears of more to follow

Contractor Daito Kogyo is latest in a series of Japanese collapses



The collapse yesterday of Daito Kogyo, a Japanese contractor, has triggered fears of a fresh wave of corporate failures amid sluggish private demand and weak economic conditions.

Daito Kogyo is Japan's sixth listed company to go bankrupt this year and the third general contractor to fail in just six weeks.

The company filed yesterday for court protection from creditors with liabilities of Y155bn ($1.32bn), putting it among the largest failures of listed companies this year. Tokai Kogyo, another contractor, collapsed in July with debts of Y511bn, and Tada Construction failed two weeks later with liabilities of Y171bn.

Among other high-profile failures were that of Kyotaru, a sushi-chain operator, with debts of Y101bn, and three private financial institutions affiliated to Nippon Credit Bank. The three non-bank institutions, including Crown Leasing, collapsed in April with liabilities exceeding Y2,000bn following NCB's decision to introduce a sweeping restructuring.

Daito Kogyo's failure was announced after the close of trading on the Tokyo Stock Exchange. The company was among about half a dozen contractors known to be in difficulty, but had received emergency loans this year from Sakura Bank, its main bank, and other financial institutions. TSE officials said last night that Daito Kogyo would be delisted on November 20.

Analysts expect the news to be a drag on the troubled market and to severely hit construction-related issues. The sector is still reeling from the sell-offs triggered by last month's failures and the government's move to cut public works spending.

Since July 4, when Tokai Kogyo's collapse was announced, construction stocks have declined more than 10 per cent. The sector as a whole has tumbled 38 per cent in the year to yesterday, while the market has stayed relatively flat. The Topix index of all main-section stocks in the year to August 18 lost just 6.4 per cent, notes Simon Atkinson, construction analyst at SBC Warburg in Tokyo.

Many small and medium-size contractors remain at risk, he adds. "There are still some strong contractors but they've been dragged down by the sector as a whole, as the market has moved to dump construction stocks."

The problems facing contractors are symptomatic of the malaise besetting companies in other sectors ranging from retail and distribution to services and manufacturing. The problems stem from the speculative era of the late 1980s, when the economy was surging, banks provided easy credit and companies over-extended themselves and expanded too rapidly.

The growth of corporate failures is due largely to the increasing eagerness of creditor banks to cut ties with burdensome borrowers and dispose quickly of non-performing loans.

Mikuni & Co, Japan's leading independent credit-rating agency, has warned that other large-scale corporate failures can be expected.

"Up until the mid-1970s, Japan only experienced one bankruptcy in 10 years. However, large failures of public companies have accelerated as banks have become less willing to support unprofitable borrowers, stock prices have declined and the real estate market has remained in a slump," it said in a recent report.

Mariko Kodama, manager of the agency's credit-rating department, says that many of the most troubled companies are concentrated in sectors reliant on domestic demand, including small and medium-sized manufacturers.

"We could see a fresh string of collapses – there are many, many companies with poor financial statements. You can see the growth of companies with stock prices that have slid below Y100 and those with bond yields above 6 per cent," she notes.

Total liabilities from bankruptcies in the first half of the year surged 106 per cent to a record Y6,370bn, against the previous half-year record of Y5,170bn in the 1995 second half.

While liabilities rocketed, however, the total number of bankruptcies rose only 10.4 per cent from the same period last year to 7,857 – reflecting a growing trend toward larger-scale bankruptcies. In July alone, total liabilities surged an annual 127 per cent, boosted by the failures of Tokai Kogyo and Tada, while the number of bankruptcies grew less than 2 per cent from the same month last year.

Daito Kogyo was laden with debt guarantees extended to golf course and ski-resort affiliates. It reported Y1.5bn unconsolidated pre-tax profit in the year to March on strong sales of Y101.8bn, but was unable to overcome cash-flow problems – in spite of emergency help from Sakura Bank.

Like many other contractors, Daito Kogyo had been attempting to shift from heavy reliance on public works projects into private construction, but resorted to relatively low-margin business such as condominium and office block projects.

In many of the large collapses, small creditors and investors received no warning of the lightning decisions by main creditor banks to pull the plug. This has fuelled concern that there will be many more corporate failures.

Gwen Robinson

ASIA-PACIFIC NEWS DIGEST

US arm likely to depress Acer

Acer, one of the world's 10 largest manufacturers of personal computers, is likely to report a decline in net profit for first six mooths of 1997 from the same period a year ago, the Taiwanese company's chief financial executive said yesterday. "It looks like it will be impossible" to match or surpass the approximately T$1.6bn (US$55.7m) Acer earned in the first half of 1996 because of losses at its US subsidiary and Texas Instrumeots-Acer, its computer-chip affiliate, said Philip Peng, vice-president for corporate finance and investment management.

Acer is scheduled to report detailed first-half results after a board meeting on August 29. Texas Instruments-Acer, a 48 per cent-owned affiliate of Acer, lost T$400m in the first six months of 1997 because of a decline in chip prices. This compares with a net profit of T$2bn at TI-Acer during the first half of 1996.

Acer was also hurt by losses at its California-based Acer America unit, Mr Peng said. Acer America lost about US$40m during the first half of 1996 because of difficulties selling the company's Aspire models through retail channels, he said. However, Acer's full-year net profit target of T$4bn is unchanged. *AP-DJ, Hsichih*

■ BRIERLEY INVESTMENTS

Raiders set to play bigger role

Asian investors who bought a 22 per cent stake in Brierley Investmeots, the Auckland-based investment company, in a surprise NZ$800m (US$514.9m) raid 18 months ago appear set to play a bigger role in the company. Brierley Investments announced last night that two representatives of Camerlin, the Asian consortium, were going to join the board.

They are Tan Sri Quek Leng Chan of Hong Leong Group Malaysia, the banking, manufacturing and media group, and Wong Kok Siew, a director of Sembawang Corporation, the Singapore engineering and technology company. The governmeot of Singapore is the other big Brierley Investments shareholder with an 6 per cent stake.

Last week BIL announced that about NZ$230m was to be put into BIL Camerlin, a joint venture, to invest mainly in listed equities in the Asian region. Brierley Investments, the 70 per cent partner, will invest NZ$160m and Camerlin the balance. *Terry Hall, Wellington*

■ METALS

Capral slips to A$17.8m

Capral, formerly Alcan Australia, reported a marginal fall in net profit to A$17.79m (US$13.14m) in the six months to June 30. The interim dividend is unchanged at 8 cents a share. The company said strong metals prices would underpin the group's second-half performance but competitive pressures on the fabricating business would continue. "These pressures will be offset in part by measures already in place to lift efficiency," said Jeremy Davis, chairman.

Capral said the smelting division's earnings before interest and tax rose from A$19.1m last time to A$22.9m, while those of the fabrication business fell from A$21m to A$16.8m because of increasing competitive pressures. "This resulted in reduced margins from a combination of continuing subdued demand from the building sector, aggressive sales activity from imported products and a consequent inability to pass on LME metal price increases," Capral said. "The erosion in margins has been greatest in the rolling business."

Capral added that it was seeking opportunities to expand its extrusion activities in the Asian region and had looked at the Malaysian, Thai and Indonesian markets. While there had been a downturn, particularly in tha Thai economy, the company continued to be positive about the long-term potential of the region. *Reuters, Sydney*

■ MUSIC

Form Holdings seeks S$8m

Form Holdings, the music and video production company, has launched an initial public offer of 27.2m shares at 38 cents each for listing on the Sesdaq. The IPO comprises a public tranche of 20.4m shares and a placement tranche of about 6.8m shares. Of the total, 23.31m will be new shares and 3.9m vendor shares. The company expects to raise about S$8m (US$5.3m). About S$2.5m will be used to repay bank borrowings, S$1.3m as working capital and the remainder to finance diversification into films and television. *AFX-Asia, Singapore*

Canon Sales has record first half

By Bethan Hutton in Tokyo

Canon Sales, which distributes the prodncts of Canon, the office equipment and camera manufacturer, reported record first-half profits and sales.

Sales grew to Y405.36bn ($3.44bn) in the January to June period, up 10.8 per cent from the previous year; recurring pre-tax profits climbed 16 per cent to Y12.79bn. Post-tax profit rose 33 per cent to Y5.9bn.

Canon said the record results were due to cost cutting and strong sales in the first three months, ahead of a consumption tax increase on April 1.

Spending on personal computers and computer peripherals, such as laser printers, showed a particularly sharp increase.

The company kept its full-year forecasts steady, with sales expected to increase 9.9 per cent to Y830bn and recurring profit at Y26bn, up 16.5 per cent.

Tha dividend was raised from Y7.5 to Y10.25, including a Y2 special dividend to mark tha 60th anniversary of Canon, the parent company. The total dividend should increase from Y16.5 to Y20.

Telecom NZ to save NZ$500m

By Terry Hall in Wellington

Telecom New Zealand is to save NZ$500m (US$322m) over the next three years through efficiency drives and by reducing capital expenditure, Roderick Deane, chief executive, said yesterday.

The first benefits from the programme – which would be facilitated by its controlling shareholders Bell Atlantic and Ameritech, the US telecoms groups – would be seen in second-half earnings, Mr Deane said. Planned capital spending would be cut to NZ$700m this year.

The group reported a 6.2 per cent advance in profits to NZ$188m for the quarter to June 30, which was better than expected in a flat New Zealand economy.

Revenues rose 9.6 per cent to NZ$800.6m, while earnings per share increased 9.6 per cent to 10.3 cents a share.

Mr Deane said the performance was creditable in an economy that saw zero growth in the June quarter, leading to falls in consumer and business confidence. Revennes had been driven by increasing volumes, with growth outpacing the rate of price reductions.

AMERICAS NEWS DIGEST

Merrill advises UA cinemas

United Artists Theatre Circuit, the US cinema cbain, has hired Merrill Lynch to advise it on a strategic overbaul whicb could lead to a stock offering. The move follows the unveiling of an aggressive sell-and-build scheme to sharpen the company's focus on traditional markets in densely-populated areas such as New York City, San Francisco and Philadelphia.

The three-year project involves the sale of 70 non-strategic cinemas, the construction of 490 new screens and the disposal of overseas interests sucb as investments in Hong Kong. Merrill Lynch will advise the company on its capital structure and review alternatives – including the private or public sale of privately-held stock in its parent, Oscari Group. *Christopher Parkes, Los Angeles*

■ COMPUTER NETWORKS

Bay Networks 'to beat forecasts'

Shares of Bay Networks surged nearly 9 per cent in early trading yesterday after the computer network equipment company predicted revenues in its first quarter ending September 26 would exceed analysts' estimates because of strong demand for its products.

The shares climbed $3 to $36⅞ on the New York Stock Exchange, where it was one of the biggest percentage gainers and the most actively traded issue, on volume of nearly 4.8m shares. "Based on bookings for the first seven weeks of the first fiscal quarter . . . revenue for the quarter is likely to exceed consensus market expectations," Bay said.

It added it expected to record more than half of the quarter's revenue in the remaining six weeks of the period, based on historical seasonal trends. A recent survey of 26 analysts by First Call, a research group, put the company's earnings at 16 cents a share for the first quarter. A year earlier, Bay Networks earned $5.6m, or 3 cents a share, on revenues of $522.6m. *Reuters, Santa Clara, California*

■ TELECOMMUNICATIONS

AT&T Wireless enters Chicago

AT&T Wireless Services said it entered Chicago's wireless pbone market by launching its AT&T Digital PCS (personal communication systems) service. PCS includes voice, paging and e-mail messaging capabilities.

Chicago is AT&T's third digital PCS market, following Phoenix and Atlanta, as part of the company's nationwide roll-out of markets that were acquired for $1.7bn in the 1995 Federal Communications Commission spectrum auction.

AT&T said it expected to launch 10 new markets by the end of the year. The group provides wireless communications in the US to more than 7m customers. The phone can travel automatically between digital wireless systems and conventional analog systems, so customers can place and receive calls across the US, Canada and Mexico where cellular service is available.

AT&T said it was offering a variety of calling plans, ranging from $34.99 a month with 45 included air-time minutes, to $99 a month for 400 included air-time minutes. *Reuters, Chicago*

■ PROPERTY

AMB Institutional to consolidate

AMB Institutional Realty Advisors will consolidate its properties and its management company into a public real estate investment trust (Reit), according to an investor in the company. San Francisco-based AMB will have as much as $2.5bn in assets, which would make it one of the largest public Reits in the country.

Officials at AMB would not comment on the deal, citing Securities and Exchange Commission regulations. Tha roll-up has been under consideration for several months as AMB sought feedback from its clients. According to the plan, AMB's clients will consolidate their investments into a single portfolio, whicb will be structured as a Reit and offered to the public.

AMB will continue to have a wbolly owned subsidiary providing investmeot management services to separate account clients that cboose not to be part of the Reit. The Reit will be self-managed and own the advisory subsidiary. AMB's management is expected to become employees and shareholders of the Reit. *AP-DJ, Chicago*

Eldorado pulls out of deal with Gencor

By Mark Ashurst in Johannesburg

Eldorado, tbe Canadian gold mining company, has pulled out of a deal to buy mining interests in Ghana and South Africa from Gencor, the Johannesburg-listed precious metals group.

The decision provides further evidence of the toll exacted by the weak gold price on the world gold industry, and in particular South African producers. Gold closed down 25 cents at $323.25 an ounce in London yesterday.

The $194m deal would have been the largest investment by a foreign mining group in South African gold assets. It would also have furthered Gencor's ambition to concentrate on building a world-class precious metals portfolio by disposing of its least promising gold interests.

Gencor reaffirmed its commitment to this strategy following its demerger from Billiton, the London-listed base metals group, last month.

Eldorado has turned its back on the deal in spite of Gencor's 40 per cent stake in the company, which is listed in Toronto and Vancouver. The company said yesterday it intended "to concentrate its activities on its present operations, development projects and priority exploration properties".

Analysts said the prospect of settling a portion of the deal by issuing new paper had unsettled Canadian fund managers, who had urged management to focus on other projects in Turkey and Brazil.

"They were going to dilute Eldorado stock, and fund managers don't like that in a nervous market," said Barry Seargent, analyst at BoE NatWest in Johannesburg, which advised Gencor on the deal. Eldorado shares had lost about a third of their value following the announcement of the deal in June.

Eldorado signed a memorandum of agreement in June to acquire 90 per cent of Gencor's Bogusu mine in Ghana, exploration interests in a further eight Ghanaian exploration projects with combined attributable reserves of 1.3m ounces, and a 41 per cent interest in the Yamfo Centenary deposit which is estimated to hold about 1.1m ounces.

The Canadian company had also agreed to take a 45 per cent stake in Gencor's joint venture with Avgold to merge the South African group's ailing Fairview and ETC mines. The deal would have created South Africa's largest greenstone gold mining project at Barberton, near Johannesburg, with annual production capacity of 150,000 ounces a year.

However, advisers said the collapse of the deal had been "amicable", and the proposal "could come back on the table if market conditions approve".

Fidelity Investments finds its direction

The reshuffle at blue-chip fund manager seems to be paying dividends, writes John Authers

Fidelity Investments, the world's largest investment manager, has held its nerve. And it appears to have paid off.

Earlier this year, Fidelity was suffering heavy criticism, with many commentators calling for a radical reform of the way the company operated.

Investment performance at its best known funds bad dipped drastically, and it lost the position as the leader in sales of mutual funds which it had beld for five successive years, slipping behind both Vanguard, of Pennsylvania, and its Boston rival Putnam Investments.

In May, Ned Johnsoo, Fidelity president, unveiled his response to the criticism with a sweeping reshuffle which moved almost all the most senior managers. New positions included a chief operating officer and a bead for the company's institutional business.

But Robert Pozen, newly appointed as bead of mutual funds, stresses that there was "no great cbange", and that Fidelity was only acting in response to its pbenomenal growth.

According to Mr Pozen: "We are still keeping tbe main emphasis on individual accountability. We produce group research hut ultimately it's up to the individual manager to pick the stocks be or she likes, and that person will he held accountable hy how their fund performs."

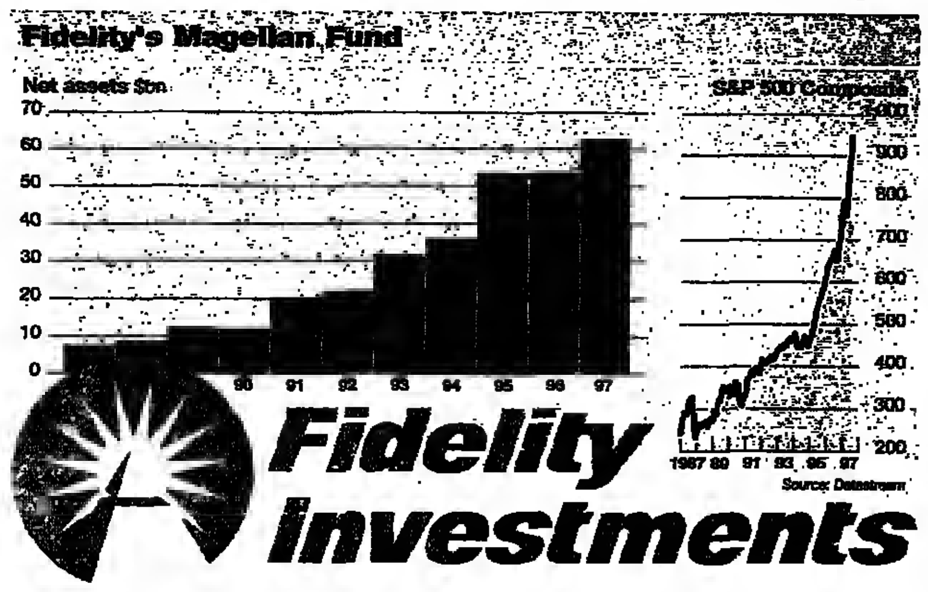
Since then, the company seems to have steadied itself. Investment performance is back up to industry averages, while its market share is also recovering. According to Financial Research of Boston, Fidelity managed to lift its assets by 24 per cent in the year to the end of June 1997. Over those 12 months its market share was down, hut only from 12.69 per cent to 12.39 per cent.

However, there is vigorous debate over wbether it has changed the way it manages money, or simply fine-tuned its systems to take account of its phenomenal growth over the past decade.

In contrast to Putnam and Vanguard, which practise team managemant using quantitative techniques, and where each fund can only invest within a limited range of securities, Fidelity managers were given great freedom.

Last year, this began to look outdated. Most notorious was Magellan, the world's largest mutual fund. It bought a huge stake in honds in late 1995.

This meant that Magellan missed out on strong equity markets, and returned only 11.69 per cent for the year – less than half the total return on the henchmark Standard & Poor's 500 index, and ranking it 602nd out of 669 funds aiming for growth in US equities.



Robert Stansky, the fund's manager since last June, appears to have righted the ship. By the end of June this year, Magellan ranked 374th out of 758 growth funds for the preceding 12 months, putting it in the top half even though it had the burden of selling off the stake in bonds.

Its assets had resumed their sharp growth. During that period the fund's bonds holding was reduced from 18.2 per cent to zero, while the share of technology stocks rose from 3.6 to 14.4 per cent.

David O'Leary, a former Fidelity executive who now runs Alpha-Equity Research, which tracks the company, has been fiercely critical of his former employer.

He says the return to form is due to Fidelity's return to its roots as a "stock-picking" house. He predicts that the "active" management will out-perform index funds over the next 12 months, and that this should allow Fidelity to regain its lead in market share of new sales.

Over the past 12 months, large blue-chip companies had out-performed the market, he said, making it harder for Fidelity's army of researchers to uncover superior performers.

However, Russ Kinell, head of research at Morningstar, the performance tracker for the mutual fund industry, suggests Fidelity may have done more than fine-tuning: "They don't need tha market to hroaden that much because Fidelity is mostly in large-cap stocks anyway.

"[But] I don't think they have the freedom they used to have. It can't be a coincidence that the blne-chip fund is now buying some blne-chips and that the dividend fund is buying some stocks which pay good dividends, and that everyone is low in cash. I don't think it's the old Fidelity where performance was all that mattered."

Texaco in Kazakh move

By Christopher Parkes in Los Angeles

Texaco has gained a foothold in Kazakhstan's ricb but under-exploited energy reserves with a 20 per cent stake in the giant Karachaganak oil and gas field.

After months of diplomatic manoeuvrings, it bas won Kazakb government approval to acquire a 20 per cent stake from the field's lead development partners, BG Exploration and Production, of the UK, and Italy's Agip.

The two existing western partners, whicb signed an interim deal witb Texaco last year, will each reduce their stakes by 10 per cent to 32.5 per cent to accommodate the newcomer, with the balance under the control of Russia's Gazprom.

Texaco will also gain access to the planned oil pipeline from the Caspian Sea to the Black Sea coast. BG and Agip eacb bold 2 per cent stakes in this $2bn venture, which is seen as the key to the economic success of oil and gas production in tbe region. No financial details were disclosed.

The US group, which joins the venture in the closing stages of negotiations for a 40-year production sharing agreement, said production and revennes would start to flow immediately, and the field was expected to become "a substantial, long-term contributor to our growing worldwide production."

Discovered in 1979, Karachaganak's reserves are estimated to be more than 2bn barrels of oil and condensate and 18,000bn cu ft of natural gas. Maximum predicted production rates are 700bn cu ft of gas and 78m barrels of oil and condensate a year, altbough under an interim agreement it is currently about 77bn cu ft of gas and 18m barrels of oil.

Development has been held back by political wrangles and the lack of export outlets other than to Russia, but Texaco is optimistic that infrastructure problems can be resolved.

The field bad the potential to add 700m barrels of oil equivalent to the gronp's reserve base, said Robert Black, bead of worldwide exploration.

Caracas base for P&G

By Raymond Colitt in Caracas

Procter & Gamble, the international consumer products group, has inaugurated a new Latin American beadquarters in Caracas, reaffirming its confidence in tba stability of Venezuela and in growth in the region.

"This is a country with an uninterrupted democratic tradition since 1958, qualified human resources, adeqnate infrastrncture and strategic geographic position," said Jnrge Montoya, president of Procter & Gamble, Latin America.

Mr Montoya added that Latin America would continue to be one of the company's fast-growing markets. While glohal sales donbled in 10 years, Latin American sales donbled in only five.

He expected Latin American sales to reach $4bn by 2000 and $8bn by 2005. "The opportunities for Procter & Gamble to grow in Latin America are solid and real," he said.

Sales in Venezuela, which account for 12 per cent of regional sales, are also expected to increase fourfold by 2005.

"Fortunately, Latin America is strengthening its democratisation process every day, while gradually incorporating into a global and competitive economy," said Mr Montoya.

P&G has nperated in Venezuela since 1950 and set up regional offices in Caracas in 1987. The new, $50m headquarters will honse P&G Venezuela, as well as a regional research and development centre.

P&G this year expects to invest more than $20m in research and development, an area which it considers "fundamental" in strengthening its position in the region.

P&G has 11 Latin American operations and markets its prodncts in all of the region's countries, except Cuba.

Several multinationals, including tha US oil company Chevron, have recently set up regional headquarters in Venezuela, which adopted a package of market-orientated reforms in April last year.

650 jobs go as Navistar closes plant

By Nikki Tait in Chicago

Navistar, the largest medium and heavy truck manufacturer in the US, said yesterday that it would close its Indianapolis Casting foundry late next year, with the loss of 650 jobs, after union members rejected a new labour proposal.

The Chicago-based company, which returned to the black in 1994 after five years of losses, added that the decision would result in a charge to this year's fourth-quarter earnings, but did not quantify the amount.

Last week, Navistar announced it had reached a master contract deal with the United Auto Workers union, after months of oegotiations. John Horne, chief executive, described the agraement as a breakthrough and clalmed it would "change the future" for the company, by enabling it to push ahead with a "next generation" medium-duty truck.

The deal was subsequently ratified by 63 per cent of voting UAW members at the weekend. However, workers at the Indianapolis foundry rejected a related contract for that plant, prompting the company to claim that the facility was no longer financially viable.

"ICC [the foundry] could no longer stay competitive withont a new labour agreement, particularly in the face of competition from foundries in Latin America, where labour costs are significantly lower," the company said yesterday. Navistar claimed that, while the foundry had mada hig advances in productivity, wages there were 50 per cent higher than those of its main competitors.

As a result of the master contract, Navistar says it will go ahead with building a new medium-duty truck at its plant in Springfield, Ohio – a project which is likely to entail capital spending of around $450m.

It is also building a new $167m plant, to meet Mexican and Latin American demand, at Eacohedo, Mexico.

Announcing third-quarter results last week, Navistar said it axpected industry demand for heavy trucks in the US and Canada to be slightly lower than last year, but demand for medium trucks to rise slightly. However, it saw stronger demand in the fourth quarter, and announced increased production schedules. The company accounts for just over 27 per cent of the total market.

Kvaerner disappoints with NKr840m

By Ross Tieman

Kvaerner, the Norwegian engineering group headquartered in London, yesterday announced first-half pretax profits of NKr840m ($111.3m) subatantlally below expectations.

Shares in the group, which acquired UK construction conglomerate Trafalgar House last April, closed down NKr27 at to NKr431, a slide of 5.8 per cent.

The group's profits, on sales of NKr 33.1bn (£2.7bn), were bolstered by NKr 324m (£26.3m) from the sale of properties.

Erik Tonseth, executive president, blamed the poor performance on a rise in working capital as the company increased output during tha half to June 30. Debt increased by NKr 500m to NKr 16.5bn (£1.3bn), a debt to equity ratio of 2.4.

He promised a renewed drive to reduce working capital and enhance margins. "The underlying trading performance of the group is improving, but is still not aatisfactory," he said. "We are convinced we are going towards better times."

Erik Storeiv, analyst at Enskilda in Oalo, said the cash outflow was compounded by hig cost overruns in the manufacture of oil and gas exploration and production equipment.

"This is a setback after the first quarter. These results will give ammunition to the sceptics, but we continue to believe the company will improve margins gradually." he said.

Mr Storelv bad expected Kvaerner to achieve pre-tax profits of NKr 1.051bn during tha first half, against average forecasts of NKr 1.01. He now expects to trim his year-end forecast from NKr 1.846bn.

Proceeds from Kvaerner'a disposal programme should help reduce group debts. Because prices have exceeded expectations, the group oow expects to raise NKr 15bn (£1.2bn) from selling non-core assets, and has already achieved NKr 10bn (£814bn), Mr Tonseth said.

However, he declined to discuss progress towards the planned sale of Cunard, the cruise line acquired with Trafalgar. However, he insisted the Trafalgar acquisition had made a profit, after the cost of money horrowed to buy it.

Despite the buge expansion in turnover arising from the £904m acquisition of Trafalgar House, shipbuilding continued to provide the bulk of group profits. Pre-tax profits from the group's yards were NKr 525m (£42.7m).

Mr Tonseth said problems with US contracts had hit the construction division, where a nascent recovery in the UK market had yet to feed through. Operating losses deepened to NKr53m, from NKr 21m.

Carlton buys rights to early film classics

By Raymond Snoddy

Carlton Communications has extended the depth of its film library by buying rights to some of the classics of the early cinema such as Buster Keaton, WC Fields and DW Griffith's *The Birth of a Nation*.

Tbe company bas paid about £1m ($1.63m) for rights to The Rohauer Collection of 600 films which ranges from Lon Chaney in *The Phantom of the Opera* and Marlene Dietrich in *The Blue Angel* to Bunuel's *Tristana* and Cocteau's *Le Baron Phantome*.

Under the deal CTE, Carlton's programme distribution company, has acquired exclusive UK rights to the films in perpetuity and the worldwide distribution rights, excluding the Americas, for the next eight years. Carlton tben has first option on purchasing the international distribution rights subject to agreeing terms.

Michael Green, chairman of Carlton, said yesterday the deal "will add to our position as a major worldwide distributor of television programmes and films".

Carlton plans to launch a film channel for digital terrestrial television next year – it plans at least 15 channels of digital terrestrial television through its partnership with Granada.

in April, Carlton acquired Rank Film Distributors with a library of more than 700 films.

The UK broadcaster already owns the Romulus and Korda British film libraries, which include *Brief Encounter*, *The African Queen* and *Anna Karenina*.

BAA admits increased cost of Heathrow link

By Norma Cohen, Property Correspondent

BAA, the airports operator, yesterday acknowledged the cost of huilding its Heathrow Express rail link from Paddington Station in London would be sharply higher than its earlier estimates.

Russell Wall, finance director, said construction costs, originally estimated at £300m, ($489m) would be about £440m by the time the project was completed in June. Capitalised interest charges – interest paid on funds borrowed fnr construction and converted into a lump sum – would add £110m, hringing the total to £550m.

In June 1996, BAA told analysts the cost of what is lts single largest development project had risen to £350m, a figure which has since appeared in press reports.

BAA's senior exectives were holding hriefings with their largest shareholders yesterday as part of their rontine annual meetings with investors.

Mr Wall's remarks follow publicatinn of an analysts' report by stockhrokers Charterhouse Tilney which tnnk the unnsual step of attempting to isolate the cnsts of the Heathrow Express project and issued a "sell" recommendation on the BAA shares as a result.

The markets apparently shrugged off the news and BAA's shares closed 4p higher at 477p.

The industry consensus on BAA prospective 1997/98 earnings is £486m. Charterhouse Tilney's earnings estimate is £471m.

Mike Stoddart, analyst at Charterhouse Tilney, calculates that inflation, the hny-ont of British Rail's stake in the project and losses associated with a tunnel collapse in 1994 account for the greatest portion of the projected cost overruns.

He believes decision to add extra carriages and first class facilities and the construction of additional facilities at Paddington Station are increasing expenditure. However, these are likely to enhance revenues, he says.

Watmoughs director resigns

By Krishna Guha

Declan Saltar, the young chief executive of printing group Watmoughs Holdings, has resigned after pressure from investors angered hy the precipitous fall in the company's share price this year. He had been in the job for only eight months.

Mr Salter, who is in his late thirties, has heen replaced by Patrick Walker, the 65-year-old chairman and former chief executive – who had planned to retire at the start of next year. The departure marks the collapse of Watmougha' plan for an orderly succesaion. Mr Walker had hand-picked Mr Salter as his heir, grooming him as joint managing director since September 1994.

"I do not regard my job as as long term career prospect," joked Mr Walker. He said he had agreed to step in for up to two years while the group searches for a new chief executive.

Watmoughs has been battered by the strength of sterling, which enabled German printers to undercnt its prices. Shares plunged from 458p in September 1996 to a low of about 180p in July. They rose 4.5p to 206p on yesterday's news.

Analysts had some sympathy for Mr Salter as a "victim of sterling." But they said he had angered investors hy giving relentlessly optimistic briefings – only to announce poor figures shortly afterwards.

They added tbat Watmoughs had made a series of recent hlunders – for instance, taking on too many contracts last December. After paying overtime hills the company lost money on the deals.

Mr Walker said his priority was to "restore focus" in the group and give it a period of stability. "We need a year without change after so much change in the last few years," he said. Watmoughs has recently expanded its operations in Spain and Eastern Europe. However, Mr Walker made it clear that his priority was to make progress in the UK. "The UK is where our problems are."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Athelney Trust Φ	6 mths to June 30★	-	(-)	9.55	(4 45)	0.4	(0.1)	-	-	-	-	1
Ben Bailey	6 mths to June 30★	12.5	(9 36)	0.462	(0.116)	3.01	(0.75)	0.6	Sept 26	0.3	-	1.3
Brandon Hire	6 mths to June 30	11	(9.87)	0.895	(0.901)	3 1	(3.1)	1.1	Oct 17	0.9	-	2 7
Brown & Jackson	Yr to June 30 ☆	187	(229)	2.65L♠	(18L♠)	2.1L	(21.5L)	nil	-	nil	nil	nil
Creighton's	Yr to Mar 31	10.1	(10.1)	3.27L♠	(0.17)	33.9L†	(5.3)	nil	-	1	nil	3.2
Emess	6 mths to June 30	86 7	(83.1)	2.8	(2.4)	0.2L	(0.4L)	-	-	-	-	0.4
Future Integrated Φ	Yr to May 31	4.9	(3.61)	0.539L	(0.296)	5.42L†	(3.38)	-	-	-	-	-
Glenchewton	6 mths to June 30★	10.7	(10 3)	3♥	(0.538♠)	9.68‡	(1.71)	0.67	Sept 15	0 45	-	1.35
Ilion	6 mths to June 30	88.4	(65.2)	4 03	(2.71♦)	11	(7.8)	2	Nov 28	1.7	-	5.7
Parity	6 mths to June 30	90.6	(76.4)	5 68	(4.3)	8.9	(6.75)	1.8	Nov 12	1.4	-	4
Perry	6 mths to June 30	260	(233)	4 86	(4.09)	12	(10 5)	3.45	Dec 1	3.25	-	9
Pifco	Yr to Apr 30	44.2	(41.8)	3.83♥	(3.12)	20.3	(17.6)	3.5	Oct 22	3.15	6	5.45
Stoves	Yr to May 31	80.2	(63)	5.16	(4.28)	13.9	(14.2)	3.8	Oct 15	3.5	5.8	5.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Claverhouse	6 mths to June 30	331.8	(272.8)	2.19	(2.27)	3 73	(4.11)	1.45‡‡	Sept 1	1.45	-	6.55
Govett American	Yr to June 30 ★	213.24	(260.98)	0.06L	(0 179L)	0.24L	(0.71)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ΦAim stock. ★ Comparatives restated. ☆ Comparative figures for 18 months to June 30 1996. ♠After exceptional charge ♥After exceptional credit. †On increased capital. ‡‡Second interim; makes 2.9p to date. ♦At December 31. ‡Second interim; makes 2.75p to date.

Brendan Corr

Paul Davies (left) with David Firth, finance director: millennium time-bomb overhyped

Parity advances 32%

By Emiko Terazono

Shares in Parity, the computer services group, rose 41p to 533p yesterday as the company announced a 32 per cent increase in interim pre-tax profits.

But Paul Davies, chief executive, tried to talk down expectations of a hoost to the business from helping companies sort out their "millennium time-homh" system difficulties, which has fuelled excitement over information technology companies.

Mr Davies said the problem was "grossly overhyped", and he regarded revenues from millennium-related businesses as a windfall. Although the company's Parity 2000 consultancy set up for millennium projects was seeing increased demand, its revennes were still less than 1 per cent of overall turnover.

"We haven't budgeted for the millennium [projects], although we're in a good position to henefit from them," he added.

Pre-tax profits roae to £5.7m ($9.3m) on sales up nearly 20 per cent to £91m for the six months to June 30. The figures were helped by increased demand for outsourcing aystema-related jobs.

The company reported net debt of £2.4m following its £7.4m cash purchase of Dedicate, a Dutch software services group, in May.

Mr Davies said the group's position in Europe had been strengthened and expected growing demand from the Netherlands and Belgium.

Turnover at CSS Trident, Parity's agency business, totalled £15m with operating profit margins at 7 per cent. Parity Solutions, its systems solutions husiness, saw strong demand for its training and consultancy aervices. Turnover totalled £20m, with operating profit margins at 9.4 per cent. Eurosoft, the group's overaeas husiness, was affected by the strong pound.

Ryanair to abandon cargo

By Patrick Stiles

Ryanair, tbe low-fare Irish airline traded in Dublin and on Nasdaq, is to cease cargo operations from September 14. It said the decision was taken to improve the cost and efficiency of passenger services.

Mr Tim Jeans, commercial director, said returns from cargo did not justify the operational impact it had on turnaround deadlines. On-time departures and customer service would be improved by dispensing with it.

Ryanair said that loss of cargo income would have an "immaterial" effect on revenues, as it represented less than 0.5 per cent of total turnover.

Prices rise on unchanged rates

GOVERNMENT BONDS

By John Labate in New York and Vincent Boland in London

European bond markets continued to trade higher yesterday after the Bundesbank signalled no immediate change to German interest rates.

Most attention was on the meeting of the US Federal Reserve's open market committee, which was continuing after the official close of European trading.

In the event, the FOMC did not signal eny change in interest rates and US TREASURIES were little changed on the announcement from their earlier levels.

Soon after the news the benchmark 30-year bond was ¼ higher at 98$\frac{1}{32}$, yielding 6.506 per cent. The two-year note was down $\frac{1}{16}$ at 100$\frac{1}{16}$ to yield 5.821 per cent, while the 10-year note was up $\frac{1}{32}$ to 99$\frac{19}{32}$, yielding 6.197 per cent.

Economists had said the current evidence favoured no interest rate rise coming from the Fed meeting. Inflation, as measured at the wholesale and consumer levels, had remained calm in spite of the continued low unemployment rate.

Analysts have begun to speculate about what it migbt take for the Fed to raise rates when it meets again in late September.

"If retail sales continue strong, the Fed could move closer to tightening, but it would also require no slowdown in the labour market," said M. Cary Leahey, chief US economist at High Frequency Economics.

The afternoon bond market bad been little influenced by a new report on housing starts, wbich revealed July starts to have been unchanged, following a revised increase of 3.2 per cent for June.

"The market's settled down after last week's debacle, but there is no broad-based interest, with the back end of the curve heing buoyed," said John "Rocket" Spinello, government securities strategist at Merrill Lynch in New York.

The benign US outlook helped to underpin solid if unepectacular gains earlier in the day in the European markets, which were cheered by the Bundesbank's decision, as expected, to maka no change to its securities repurchase (repo) rate. It set a fixed 3 per cent rate tender for its 14-day repo pact.

Although largely a technical operation, the move belped GERMAN BUNDS post another day of moderate price gains, but volumes remained ligbt because of holiday factors in the main European markets

The September bund futures contract gained another 40 basis points to settle at 102.86.

The move also paved the way for a good performance from FRENCH BONDS, with the notional September futures contract adding 32 points to 130.20 in Paris trading.

Figures ehowing German money supply grew at an annualised rate of 5.7 per cent in July, well inside the Bundesbank's target range of 3.5 to 6.5 per cent and down on June's expansion of 6.4 per cent, also gave a fillip to trading, although analysts cautioned that it did not change tbe medium-term interest rate outlook.

Indeed, the belief that German interest rates may have to rise soon is still there, and is dependent on developments in the foreign exchange markets.

David Brown, chief European economist at Bear Stearns, said: "German interest rate relief will prove fairly short-lived, especially if the dollar-mark rally resumes with a vengeance."

The fall-out from that will have a strong bearing on the direction of high-yielding bond markets, which traded up again yesterday on the back of bund strength.

The spread of ITALIAN BTPS over bunds had narrowed to about 103 points in late trading, while the September futures contract settled 48 points higher at 136.00.

The September futures contract in SPANISH BONOS gained 30 points to settle at 117.34.

High-yielders are now becoming hostage to foreign exchange rate developments, raising donbts about how much further the European monetary union convergence theory can push those markets, some bond market watchers believe.

If the dollar regains its upward momentum against the D-Mark, reviving the spectre of a rise in German rates to reverse it, "that is negative for the German yield curve, and for other markets as well," said Jeremy Hawkins, chief economist at Bank of America.

UK GILTS had an especially quiet session, with the September futures contract unchanged at 115$\frac{1}{16}$ in thin trading. Tha spread over bunds also widened sharply during the day, from an opening level of 150–151 basis points to around 155 points.

Most attention was fixed on the release today of retail sales data for July, which will give an indication of the level of consumer spending. It will also give an indication of whether the interest rates have peaked, as the Bank of England has appeared to euggest.

Among other markets, IRISH GILT prices also ended higher, huoyed by the successful auction of I£100m of 8.25 per cent stock due 2015. The National Treasury Management Agency said the auction had been 4.3 times oversubscribed. Shortage of stock remains a key factor underpinning the Irish gilt market.

IBCA rates Egypt investment grade

By Mark Huband in Cairo

Egypt received a boost yesterday when IBCA, the European rating agency, assigned the country an investment grada BBB- long-term rating on unsecured foreign currency debt issues and an A- long-term local currency rating.

The rating is the third for Egypt in less than a year. Standard & Poor's, the US rating agency, gave Egypt a BBB- investment grade rating in January, compensating for a Ba2 rating – below investment grade – assigned by Moody's last year, which may soon be upgraded.

The IBCA rating will apply to a forthcoming eurobond issue and sets a ceiling on IBCA-rated banks and corporates in Egypt. IBCA also assigned an A3 short-term foreign currency rating for issues of up to one year.

Yousef Boutros Ghali, Egypt's recently-Appointed economy minister, said tha IBCA rating ended the debate that bad emerged over the previous ratings.

"The valuation of IBCA is especially important since it is the deciding factor," Mr Boutros Ghali said. "It draws the line in the dispute that has been going on between Moody's and S&P. IBCA has confirmed that the Egyptian economy deserves an investment rating, and it gives assurance to investors of the credibility of investment in Egypt and the credibility of the investment atmosphere."

IBCA cited Egypt'a improved debt position – following the "substantial debt forgiveness" by the US after the Gulf war and five consecutive years of surpluses on the current account – and ita "ralative financial strength" as positive factors.

Egypt had also seen an improvement in its internal political situation with the security threat from militant Islamists having receded, IBCA said.

On the negative side, it said there were concerns about Egypt's low investment rate and low foreign exchange receipts.

"Growing receipts, both from tourism and from non-oil exports, will be important to prevent an excessive current account deterioration," the agency warned.

S&P says it is unlikely to upgrade Malaysia's debt

By Edward Luce

Standard & Poor's, the New York-based credit rating agency, yesterday warned that the Federation of Malaysia was unlikely to receive a credit rating upgrade within the next three years.

The warning, which was accompanied by a revision of Malaysia's sovereign rating from "positive" to "stable", follows sustained pressure on the Malaysian ringgit by currency traders.

The agency, which has issued similar warnings to companies and the governments in both Thailand and South Korea in tha wake of recent financial turmoil, said Malaysia's rapid pace of output growth looked "increasingly hard to sustain".

At more than 6 per cent of gross domestic product, Malaysia's current account deficit was too high, while the ringgit'a exchange rate remained under threat, S&P said. "More worrying, though is the strength of domestic credit demand thet has fed the capital spending boom," it warned.

S&P predicted that total credit to both public and private sector enterprises would reach 170 per cent of GDP this year, up from 124 per cent in 1994.

The agency, which also revised the ratings of Telekom Malaysia and Petronas, the state oil company, from positive to stable, did not rula out a formal credit downgrade from the current sovereign rating of A+.

In ita "worst-case scenario", the agency speeulated that the Malayaian government would intervene with between 8 per cent and 23 per cent of GDP to support the financial system.

Although this was considered unlikely, the agency warned of the declining quality of the country's financial asset base.

On the positive side, S&P said thet Malaysia continued to enjoy a low and well managed government debt burden which, at just 35 per cent of GDP, compared "favourably to the leverage of similarly rated sovereigns". It also had a relatively conservative track record in its management of the economy, S&P said.

Innovative issue in French francs

INTERNATIONAL BONDS

By Edward Luce

The eurobond market hit a daily low for the year yesterday with less than $500m in primary offerings. One of the few syndicate officials still at his desk expressed confidence that the market would next month resume the hectic pace witnessed earlier in the summer, when weekly volumes broke records for two consecutive weeks.

Large-scale issues expected in September include the Republic of Russia, which is planning a third dollar-denominated eurobond; Moscow and Kazakhstan, which are both to return to the bond markets for the second time; and the Republic of Turkey, which is considering a dollar issue.

Meanwhile, COLISEE NO 1, a special purpose vehicle incorporated in the UK, kept those not at the beach on their toes yesterday with the first mortgage-backed security out of France this year.

The three-tranche FFr632.5m offering, which was priced to yield 45 basis points, 80 basis points and 100 basis points over three-month Pibor respectively, was distributed to mostly specialist asset-backed funds, according to officials.

UBS, sole lead manager, said the peculiar structure of the transaction mada it the first deal of its kind in French francs.

Colisée No 1 will transfer the proceeds of the bonds to Innovation Financière Colisée, which will use the capital to fund a senior loan it recently took out to purchase 14 French commercial properties.

Income from the 14 properties will service and eventually redeem the bonds. Both Moody's Investors Service and Duff & Phelps, the US credit rating agencias, assigned credit ratings to the bonds.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
DePfa Bank Europe‡	400	(a)	100.055R	Sep 1999	0.10R	-	Commerzbank
FRENCH FRANCS							
Colisée No 1, Class A(b)‡	390	(b,l)	100.00	Oct 2002	0.35	-	UBS France

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Secured on portfolio of French commercial properties owned by UIC. Legal maturity: 30/10/04. b1) 3-mth Pibor +45bp. b2) Class B: FFr156m, 3-mth Pibor +80bp, par, Oct 02. b3) Class C: FFr86.5m, 3-mth Pibor +100bp, par, Oct 02. l) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	124.4212	-0.170	6.65	6.74	6.64
Austria		5.625	07/07	99.9000	+0.400	5.64	5.72	5.73
Belgium		6.250	03/07	104.0900	+0.390	5.68	5.75	5.65
Canada *		7.250	06/07	108.6200	+0.170	5.94	6.00	5.98
Denmark		7.000	06/07	105.9300	+0.430	6.18	6.26	6.13
France	BTAN	4.750	03/02	100.2139	+0.160	4.69	4.75	4.47
	OAT	5.500	10/07	99.9700	+0.350	5.50	5.56	5.44
Germany Bund		6.000	07/07	102.9800	+0.310	5.60	5.66	5.58
Ireland		8.000	08/06	110.9500	+0.380	6.36	6.41	6.41
Italy		6.750	02/07	101.5200	+0.350	6.53†	6.51	6.42
Japan	No 148	6.600	06/02	118.7970	+0.040	1.35	1.40	1.57
	No 182	3.000	09/05	106.9226	+0.150	2.07	2.13	2.29
Netherlands		5.750	02/07	101.6200	+0.400	5.52	5.61	5.52
Portugal		9.500	02/06	121.0000	+0.320	6.23	6.25	6.18
Spain		7.350	03/07	107.6400	+0.310	6.25	6.28	6.22
Sweden		6.000	08/07	110.5333	+0.760	6.53	6.53	6.48
UK Gilts		7.000	06/02	100-00	-1/32	7.00	7.01	7.17
		7.250	12/07	101-24	-1/32	7.01	7.04	7.08
		8.000	10/08	115-02	-	7.03	7.07	7.11
US Treasury *		6.125	08/07	99-14	+2/32	6.20	6.33	6.27
		6.375	08/27	96-09	+11/32	6.51	6.60	6.56
ECU (French Govt)		6.500	04/07	97.5400	+0.510	5.84	5.94	5.72

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.84
Prime rate	8½	Two month	-	Three year	5.97
Broker loan rate	7¼	Three month	5.22	Five year	6.05
Fed.funds	5$\frac{7}{16}$	Six month	5.34	10-year	6.21
Fed.funds at intervention	-	One year	5.50	30-year	6.52

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.90	130.20	+0.32	130.28	129.80	66,666	158,269
Dec	98.86	99.16	+0.30	99.22	98.80	4,088	11,771
Mar	98.28	98.56	+0.30	98.28	98.28	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
127	2.55	-	-	0.01	-	-
128	1.60	-	-	0.06	-	-
129	0.77	-	-	0.24	-	-
130	0.23	-	-	0.69	-	-
131	0.10	-	-	1.56	-	-

Est. vol. total, Calls 4,831 Puts 4,460. Previous day's open int., Calls 86,225 Puts 122,404.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.47	102.86	+0.40	102.92	102.40	184120	264873
Dec	101.60	102.01	+0.40	102.05	101.60	3044	21850

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
10250	0.42	0.41	0.66	0.84	0.06	0.90	1.15	1.33
10300	0.12	0.24	0.46	0.62	0.26	1.23	1.45	1.81
10350	0.01	0.14	0.31	0.46	0.65	1.63	1.80	1.95

Est. vol. total, Calls 18630 Puts 23442. Previous day's open int., Calls 183559 Puts 264290

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.55	136.00	+0.48	136.14	135.35	53026	102701
Dec	108.12	108.15	+0.38	108.30	107.99	1061	5065

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
8000		28.15		0
8050		27.65		0
8100		27.15		0

Est. vol. total, Calls 5505 Puts 5062. Previous day's open int., Calls 109727 Puts 133909

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.00	117.34	+0.31	117.38	116.94	60,469	90,105
Dec	101.07	101.22	+0.38	101.22	101.07	178	1,961

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115-01	115-02	-	115-07	114-27	48130	167186
Dec	114-20	114-22	-	114-24	114-20	2374	10051

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
115	0-16	0-50	1-11	1-27	0-15	1-06	1-31	1-47
116	0-03	0-27	0-49	0-63	0-63	1-47	2-05	2-19
117	0-01	0-13	0-31	0-44	1-61	2-33	2-51	3-00

Est. vol. total, Calls 1790 Puts 1570. Previous day's open int., Calls 48600 Puts 46851

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.98	97.24	+0.38	97.32	96.98	663	5,878

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	114-06	114-05	+0-02	114-07	113-23	447,386	508,076
Dec	113-25	113-25	+0-02	113-26	113-12	7,041	61,172
Mar	-	113-13	-	-	-	16	32,400

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	127.14			127.23	127.12	2456	n/a
Dec	126.36			126.41	126.34	1189	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue Aug 19	Day's change %	Mon Aug 18	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	116.80	0.01	116.78	2.54	6.68
2 5-15 years (21)	153.10	0.02	153.07	2.43	7.42
3 Over 15 years (5)	182.69	0.00	182.70	6.80	6.99
4 Irredeemables (5)	240.88	0.07	240.71	3.57	6.36
5 All stocks (50)	147.59	0.02	147.57	3.23	7.20
Index-linked					
6 Up to 5 years (2)	207.00	0.00	207.00	2.34	3.03
7 Over 5 years (10)	200.52	0.00	200.52	0.81	4.70
8 All stocks (12)	200.11	0.00	200.12	0.95	4.51

UK Indices

	Low coupon yield Aug 19	Low Aug 18	Low Yr. ago	Medium coupon yield Aug 19	Medium Aug 18	Medium Yr. ago	High coupon yield Aug 19	High Aug 18	High Yr. ago
5 yrs	7.00	7.00	7.13	7.09	7.08	7.20	7.15	7.13	7.28
15 yrs	6.98	6.99	8.01	7.02	7.02	8.02	7.09	7.09	8.06
20 yrs	6.96	6.98	8.11	7.00	6.99	8.10	7.06	7.09	8.14
Irred.†	7.09	7.09	8.18						

	Inflation 5% Aug 19	Aug 18	Yr. ago	Inflation 10% Aug 19	Aug 18	Yr. ago
Up to 5 yrs	3.57	3.56	2.04	2.85	2.84	0.33
Over 5 yrs	3.52	3.51	3.64	3.30	3.30	3.42

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 19	Aug 18	Aug 15	Aug 14	Aug 13	Yr ago	High*	Low*
Govt. Secs. (UK)	95.97	95.98	96.73	95.85	95.57	93.33	97.88	93.31
Fixed Interest	126.27	126.02	125.54	125.65	125.75	113.75	126.88	115.32

Gilt Edged Activity Indices

	Aug 18	Aug 15	Aug 14	Aug 13	Aug 12
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 19

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 8½ 00	1000	100½	100¾	-⅛	6.39
ABN Amro Bank 7¼ 05	1000	102⅞	103½		6.88
African Dev Bk 7⅜ 23	500	103	103⅝	+⅛	7.11
Alberta Province 7⅝ 98	1000	101¾	102	-⅛	6.05
Argentina 11¾ 17	2000	117¾	118⅜	+¾	9.58
[illegible]					
Spain 7¼ 03	4000	110½	110⅝	+¼	5.02
Volkswagen Intl Fin 7 03	1000	108¼	108½	+¼	5.30
World Bank 5⅞ 03	3000	104½	104⅝	+¼	5.01
World Bank 6⅜ 02	3000	105⅝	105¾	+¼	4.85
World Bank 7⅛ 03	3000	110⅝	110¾	+⅛	5.39
[illegible]					
Abbey Natl Treasury 8 03 £	1000	102⅞	102⅞		7.51
British Land 8⅞ 23 £	150	107½	107⅞	+⅛	8.34
Denmark 6¾ 98 £	800	99⅝	99½		7.41
Depfa Finance 7⅛ 00 £	500	99⅛	99¾		7.50
EIB 6 03 £	1000	103⅛	103⅜		7.31
[illegible]					

STRAIGHT BONDS / FLOATING RATE NOTES / CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
[illegible]							

Five to Fifteen Years: [illegible]

Index-Linked: [illegible]

Other Fixed Interest: [illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ‡ Indicative price. [illegible]

CURRENCIES AND MONEY

D-Mark falls as rate threats fade

MARKETS REPORT

By Simon Kuper

The D-Mark fell on fresh signs that the Bundesbank would not raise interest rates soon.

The bank set its repo tender unchanged at a fixed rate of 3.00 per cent for another week, and reported that growth in M3 money supply was far slower than forecast. M3 grew at a rate of 5.7 per cent for the year to July. The Bundesbank thinks M3 growth is a good indicator of future inflation.

Michel Camdessus, managing director of the International Monetary Fund, suggested that there was little need for Germany to raise rates to defend the D-Mark. The dollar's surge of the past year had created "no inflationary effects" in Europe, and had helped the European Union, he said.

The dollar, helped by a recovery in US stocks after last week's carnage, gained 1.4 pfennigs against the D-Mark to close in London at DM1.836. It rose Y0.5 against the yen to Y118.2, as gloom over the Japanese economy reduced prospects of an interest rate rise this year.

Trading was again thin because of summer holidays. The Federal Reserve's open market committee meeting late yesterday also cast a shadow. However, as expected, the FOMC left US interest rates unchanged.

The dollar was held back by strong resistance around DM1.84 to the D-Mark, and by fears that the Bundesbank might try to revive prospects of a rate rise tomorrow, when its council meets for the first time after a four-week summer break.

■ Pound in New York

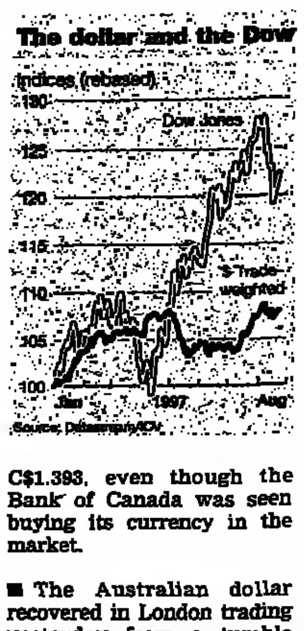
Aug 19	—Latest—	– Prev. close –
£ spot	1.6040	1.6060
1 mth	1.6018	1.6036
3 mth	1.5980	1.6000
1 yr	1.5810	1.5830

The Bundesbank has repeatedly threatened to move from a fixed to a variable rate repo tender, which could cause rates to creep higher. Euromark futures contracts moved little yesterday and are still pricing in a 25-basis-point German rate rise by September. Jeremy Hawkins, chief economist at the Bank of America in London, said the Bundesbank's apparent tactic of "leaving an air of uncertainty over the market" had been as effective as a rate rise at stopping the dollar's ascent.

The pound rose 1.4 pfennigs against the D-Mark to DM2.950, but fell half a cent against the dollar to $1.606.

■ The Canadian dollar fell on figures showing that the country's core consumer price index rose just 1.5 per cent in the year to July. That reduced prospects of an interest rate rise. The Canadian dollar fell 0.4 cents against the US dollar to C$1.393, even though the Bank of Canada was seen buying its currency in the market.

The dollar and the Dow



■ The Australian dollar recovered in London trading yesterday from a tumble prompted by a false wire report. The wire quoted the Reserve Bank of Australia as saying that interest rates could be cut again.

But the bank's quarterly report on the economy and financial markets had said nothing of the sort. It had merely given a rationale for previous cuts.

The wire report had sent the Aussie dollar down to US$0.7375, from its Monday close of US$0.7423/28. But in trading after the London close yesterday the Aussie dollar was back up at US$0.7415/25.

The bank's report said the key inflation rate would stay below 2 per cent possibly into 1998. But it also said that current interest rate levels could accommodate stronger growth. This suggested there was little need for another rate cut.

■ OTHER CURRENCIES

Aug 19	£	$
Czech Rp	54.9473 - 55.0405	34.2180 - 34.2590
Hungary	317.370 - 317.608	197.640 - 197.690
Iran	4819.80 - 4817.40	3000.00 - 3000.00
Kuwait	0.4896 - 0.4903	0.3049 - 0.3052
Poland	5.5986 - 5.6094	3.4865 - 3.4915
Russia	9340.94 - 9348.81	5817.00 - 5819.00
U.A.E.	5.8981 - 5.9015	3.6730 - 3.6733

Australia's key cash rate has fallen to 5 per cent, below US rate levels.

■ The Hong Kong stock market fell 4 per cent yesterday on fears that domestic interest rates would have to stay high to ward off speculative attacks on the Hong Kong dollar. One-month market rates rose above 11 per cent, up from 7 per cent last week.

However, overnight rates dropped from 20 per cent to 8-10 per cent late in the day on signs that the attack on the currency may be fading away. Many traders said there were no speculative attacks yesterday. Forex strategists believe the currency's peg to the US dollar will survive despite devaluations in the rest of south east Asia since July. They point to the $200bn in foreign exchange reserves held by Hong Kong and China, and to Hong Kong's good economic fundamentals.

POUND SPOT FORWARD AGAINST THE POUND

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.7551	+0.0991	439 - 665	20.8687	20.5761	20.7007	3.1	20.588	3.2	20.0825	3.2	101.9
Belgium	(BFr)	60.9392	+0.2936	919 - 865	61.2400	60.6420	60.7592	3.5	60.3892	3.6	58.6392	3.6	101.2
Denmark	(DKr)	11.2352	+0.0531	308 - 396	11.2930	11.2015	11.2097	3.4	11.1397	3.4	10.8482	3.4	103.7
Finland	(FM)	8.8238	+0.0332	168 - 307	8.8700	8.7890	8.7985	3.4	8.748	3.5	8.5383	3.3	81.0
France	(FFr)	9.9363	+0.041	330 - 395	9.9936	9.9067	9.9033	4.0	9.8463	3.6	9.5708	3.7	103.9
Germany	(DM)	2.9496	+0.014	482 - 516	2.9689	2.9400	2.9403	3.8	2.9213	3.8	2.8344	3.9	102.0
Greece	(Dr)	462.040	+1.21	780 - 299	464.509	460.746	463.823	-4.8	466.447	-3.8	474.815	-2.8	65.2
Ireland	(I£)	1.1028	+0.0062	017 - 038	1.1042	1.0970	1.1023	0.5	1.1009	0.7	1.09	1.2	98.9
Italy	(L)	2879.68	+11.57	775 - 160	2893.55	2871.13	2879.76	0.0	2879.72	0.0	2877.12	0.1	75.7
Luxembourg	(LFr)	60.9392	+0.2936	919 - 865	61.2400	60.6420	60.7592	6.5	60.3892	3.8	58.6392	3.8	101.2
Netherlands	(Fl)	3.3216	+0.0159	200 - 231	3.3395	3.3111	3.3114	3.7	3.2905	3.8	3.1945	3.8	100.7
Norway	(NKr)	12.2831	+0.0523	784 - 878	12.3453	12.2384	12.2505	3.2	12.1896	3.0	11.9208	3.0	95.7
Portugal	(Es)	298.315	+1.54	161 - 470	300.476	298.049	298.159	0.6	298.629	0.6	294.541	1.6	91.9
Spain	(Pta)	249.210	+1.027	124 - 296	250.500	248.440	248.895	1.5	248.145	1.7	243.775	2.2	76.4
Sweden	(SKr)	12.9551	+0.074	458 - 643	13.0172	12.8841	12.9276	2.5	12.8691	2.7	12.6128	2.8	84.3
Switzerland	(SFr)	2.4320	-0.001	305 - 334	2.4444	2.4256	2.4211	5.4	2.3965	5.5	2.2982	5.5	105.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.6
Ecu	-	1.4994	+0.0055	986 - 001	1.5070	1.4949	1.4961	2.8	1.4889	2.8	1.4549	3.0	-
SDR†	-	1.18262	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6059	-0.0041	055 - 063	1.6116	1.6024	-	-	-	-	-	-	-
Brazil	(R$)	1.7496	-0.0034	490 - 502	1.7574	1.7473	-	-	-	-	-	-	-
Canada	(C$)	2.2371	-0.0001	361 - 380	2.2386	2.2267	2.2302	3.7	2.2166	3.7	2.1657	3.2	84.5
Mexico	(New Peso)	12.4545	-0.0711	433 - 658	12.5218	12.4430	-	-	-	-	-	-	-
USA	($)	1.6062	-0.0047	058 - 066	1.6128	1.6033	1.604	1.6	1.6003	1.5	1.5837	1.4	106.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1728	-0.0078	715 - 740	2.1883	2.1668	2.1682	2.0	2.1608	2.2	2.1239	2.3	93.5
Hong Kong	(HK$)	12.4312	-0.0388	273 - 351	12.4809	12.4111	12.4302	0.1	12.4238	0.2	12.3887	0.5	-
India	(Rs)	57.3494	-0.1839	949 - 038	57.5860	57.2920	57.5446	-4.1	57.9452	-4.2	59.6249	-4.0	-
Israel	(Shk)	5.6747	+0.002	651 - 842	5.6817	5.6634	-	-	-	-	-	-	-
Japan	(Y)	189.845	+0.178	741 - 948	190.490	189.320	188.825	6.4	186.8	6.4	177.815	6.3	131.7
Malaysia	(M$)	4.4709	-0.0358	657 - 760	4.5139	4.4599	4.4752	-1.1	4.4832	-1.1	4.5016	-0.7	-
New Zealand	(NZ$)	2.5017	-0.0011	001 - 033	2.5181	2.4984	2.5049	-1.5	2.5087	-1.1	2.5093	-0.3	108.2
Philippines	(Peso)	48.5878	+0.1387	346 - 406	49.3816	48.0555	48.7475	-3.9	48.9969	-3.4	50.0539	-3.0	-
Saudi Arabia	(SR)	6.0243	-0.0178	226 - 259	6.0481	6.0140	6.0208	0.7	6.0124	0.8	5.9759	0.8	-
Singapore	(S$)	2.4261	-0.0148	267 - 295	2.4439	2.4227	2.4235	2.3	2.4134	2.4	2.3852	2.6	-
South Africa	(R)	7.5475	+0.0036	432 - 518	7.5776	7.5218	7.6082	-9.7	7.7261	-9.5	8.1631	-8.2	-
South Korea	(Won)	1442.37	-5.02	799 - 674	1447.47	1437.61	-	-	-	-	-	-	-
Taiwan	(T$)	46.1413	-0.1294	495 - 331	46.3235	46.0480	46.1247	0.4	46.0849	0.5	45.8873	0.6	-
Thailand	(Bt)	52.5228	+0.8984	294 - 162	52.9950	51.2310	52.8584	-7.7	53.321	-6.1	54.3512	-3.5	-

† Rates for Aug 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.9216	+0.0983	181 - 256	12.9460	12.8600	12.8979	2.2	12.8489	2.3	12.6249	2.3	101.7
Belgium	(BFr)	37.9400	+0.293	200 - 600	37.9980	37.8120	37.885	2.4	37.7135	2.4	37.02	2.4	101.5
Denmark	(DKr)	6.9946	+0.0534	939 - 959	7.0050	6.9768	6.9832	2.0	6.9589	2.1	6.8525	2.0	103.1
Finland	(FM)	5.4936	+0.0367	906 - 965	5.5022	5.4616	5.4821	2.5	5.4585	2.6	5.3646	2.3	80.4
France	(FFr)	6.1862	+0.0435	857 - 867	6.1877	6.1697	6.1747	2.2	6.1509	2.3	6.042	2.3	103.4
Germany	(DM)	1.8364	+0.0141	360 - 368	1.8400	1.8313	1.8326	2.5	1.8248	2.5	1.7898	2.5	101.8
Greece	(Dr)	287.660	+1.59	570 - 750	288.620	286.960	288.965	-5.4	291.01	-4.7	298.16	-3.7	64.8
Ireland	(I£)	1.4565	-0.0125	555 - 575	1.4675	1.4545	1.4557	0.6	1.4548	0.5	1.4552	0.1	-
Italy	(L)	1792.85	+12.41	210 - 360	1796.05	1786.86	1794.62	-1.2	1797.62	-1.1	1801.05	-0.5	75.8
Luxembourg	(LFr)	37.9400	+0.293	200 - 600	37.9980	37.8120	37.865	2.4	37.7135	2.4	37.02	2.4	101.5
Netherlands	(Fl)	2.0680	+0.0159	675 - 684	2.0720	2.0618	2.0638	2.5	2.0553	2.5	2.0175	2.4	100.8
Norway	(NKr)	7.6473	+0.0548	463 - 483	7.6701	7.6221	7.6329	2.3	7.6044	2.2	7.4927	2.0	95.1
Portugal	(Es)	186.350	+1.5	300 - 400	186.560	185.830	186.314	0.2	186.26	0.2	185.09	0.7	92.5
Spain	(Pta)	155.155	+1.09	140 - 170	155.420	154.740	155.11	0.3	154.935	0.6	153.76	0.9	76.0
Sweden	(SKr)	8.0657	+0.0695	619 - 694	8.0805	8.0204	8.0566	1.3	8.0373	1.4	7.9633	1.3	83.9
Switzerland	(SFr)	1.5141	+0.0038	136 - 146	1.5186	1.5107	1.5086	4.2	1.4981	4.2	1.4526	4.1	104.5
UK	(£)	1.6062	-0.0047	058 - 066	1.6126	1.6033	1.604	1.6	1.6003	1.5	1.5837	1.4	102.1
Ecu	-	1.0713	-0.0071	710 - 715	1.0740	1.0685	1.0727	-1.6	1.0759	-1.7	1.0915	-1.8	-
SDR†	-	0.735321	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0003	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0893	+0.0011	892 - 894	1.0898	1.0890	-	-	-	-	-	-	-
Canada	(C$)	1.3928	+0.004	925 - 930	1.3930	1.3875	1.3897	2.7	1.384	2.5	1.3634	2.1	84.5
Mexico	(New Peso)	7.7540	-0.0215	490 - 590	7.7600	7.7480	7.8625	-16.8	8.0735	-16.5	8.984	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3527	-0.0009	523 - 532	1.3570	1.3517	1.3521	0.5	1.3503	0.7	1.3419	0.8	94.8
Hong Kong	(HK$)	7.7385	-0.0015	380 - 400	7.7430	7.7390	7.74	-0.1	7.7409	-0.1	7.7431	0.0	-
India	(Rs)	35.7050	-0.01	800 - 300	35.7700	35.6770	35.8425	-4.6	36.1275	-4.7	37.34	-4.6	-
Israel	(Shk)	3.5330	+0.0118	279 - 380	3.5411	3.5275	-	-	-	-	-	-	-
Japan	(Y)	118.195	+0.455	160 - 230	118.410	117.950	117.68	5.2	116.88	5.1	112.38	4.9	133.2
Malaysia	(M$)	2.7835	-0.014	810 - 860	2.8045	2.7760	2.788	-1.9	2.797	-1.9	2.827	-1.6	-
New Zealand	(NZ$)	1.5575	+0.0039	569 - 581	1.5593	1.5565	1.5583	-0.6	1.5607	-0.8	1.5708	-0.9	-
Philippines	(Peso)	30.2500	+0.175	000 - 000	30.8000	29.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-0.0002	505 - 507	3.7507	3.7504	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5117	-0.0048	112 - 122	1.5186	1.5090	1.51	1.4	1.5062	1.5	1.4867	1.7	-
South Africa	(R)	4.6990	+0.016	975 - 005	4.7020	4.6865	4.7395	-10.3	4.819	-10.2	5.1215	-9.0	-
South Korea	(Won)	898.000	-0.5	500 - 500	900.500	895.400	-	-	-	-	-	-	-
Taiwan	(T$)	28.7270	+0.0035	770 - 770	28.7770	28.6670	28.738	-0.5	28.747	-0.3	28.8395	-0.4	-
Thailand	(Bt)	32.7000	+0.65	500 - 500	32.9000	31.9000	33.145	-16.3	33.85	-14.1	35.08	-7.3	-

† SDR rate per $ for Aug 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 18: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 11/32	3 1/2	3 9/16	3 5/8	3 3/4	6.00	2.50	-
France	3 3/32	3 3/8	3 11/32	3 3/8	3 5/8	3.10	-	4.75
Germany	3 1/16	3 1/8	3 1/4	3 3/8	3 9/16	4.50	2.50	3.00
Ireland	6 1/8	6 3/8	6 3/8	6 1/2	6 3/4	-	-	6.75
Italy	6 3/4	6 3/4	6 23/32	6 21/32	6 1/2	7.75	6.25	6.27
Netherlands	3 1/4	3 11/32	3 13/32	3 1/2	3 21/32	-	2.50	3.00
Switzerland	3/4	1 3/8	1 1/2	1 1/4	1 15/16	-	1.00	-
US	5 15/32	5 17/32	5 5/8	5 3/4	5 7/8	-	5.00	-
Japan	15/32	1/2	1/2	1/2	21/32	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 5/8	5 23/32	5 25/32	5 31/32	-	-	-
US Dollar CDs	-	5.43	5.46	5.52	5.64	-	-	-
ECU Linked Ds	-	4 1/4	4 3/8	4 13/32	4 19/32	-	-	-
SDR Linked Ds	-	3 15/32	3 5/8	3 23/32	3 7/8	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/16	3 13/32 - 3 9/32	3 17/32 - 3 13/32	3 19/32 - 3 9/16	3 5/8 - 3 1/2	3 3/4 - 3 11/16
Danish Krone	3 13/32 - 3 1/4	3 1/2 - 3 11/32	3 13/32 - 3 7/16	3 21/32 - 3 1/2	3 13/16 - 3 23/32	4 1/32 - 3 15/16
German Mark	3 1/8 - 2 15/16	3 1/8 - 3	3 3/16 - 2 31/32	3 5/16 - 3 3/16	3 7/16 - 3 3/16	3 5/8 - 3 1/2
Dutch Guilder	3 11/32 - 3 1/4	3 3/8 - 3 7/32	3 3/8 - 3 7/16	3 7/16 - 3 11/32	3 17/32 - 3 15/32	3 23/32 - 3 19/32
French Franc	3 1/4 - 3 1/8	3 5/16 - 3 7/32	3 11/32 - 3 7/32	3 3/8 - 3 9/32	3 1/2 - 3 3/8	3 11/16 - 3 9/16
Portuguese Esc.	5 5/8 - 5 15/32	5 1/2 - 5 15/32	5 1/2 - 5 15/32	5 15/32 - 5 13/32	5 7/16 - 5 3/8	5 3/8 - 5 5/16
Spanish Peseta	5 3/4 - 5 11/16	5 21/32 - 5 19/32	5 17/32 - 5 15/32	5 15/32 - 5 3/8	5 5/16 - 5 9/32	5 5/16 - 5 3/16
Sterling	7 3/16 - 7 1/16	7 3/8 - 7 1/16	7 1/8 - 7 1/16	7 3/16 - 7 1/8	7 5/16 - 7 1/4	7 1/2 - 7 7/16
Swiss Franc	1 - 1/2	1 1/4 - 1 1/8	1 7/16 - 1 5/16	1 1/2 - 1 13/32	1 5/8 - 1 1/2	1 13/16 - 1 11/16
Canadian Dollar	3 5/16 - 3 1/8	3 3/8 - 3 3/16	3 15/32 - 3 11/32	3 19/32 - 3 15/32	3 13/16 - 3 11/16	4 3/16 - 4 1/16
US Dollar	5 1/2 - 5 3/8	5 9/16 - 5 7/16	5 5/8 - 5 17/32	5 23/32 - 5 19/32	5 25/32 - 5 23/32	5 31/32 - 5 27/32
Italian Lira	7 13/32 - 6 13/32	6 27/32 - 6 23/32	6 7/8 - 6 13/16	6 7/8 - 6 13/16	6 3/4 - 6 21/32	6 17/32 - 6 7/16
Japanese Yen	1/2 - 15/32	17/32 - 1/2	9/16 - 17/32	19/32 - 17/32	19/32 - 9/16	11/16 - 5/8
Asian $Sing	3 7/8 - 3 3/4	4 1/4 - 4 1/8	4 1/4 - 4 1/8	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/8 - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.53	96.54	+0.03	96.55	96.53	18,107	65,245
Dec	96.34	96.40	+0.08	96.40	96.39	21,635	42,034
Mar	96.24	96.28	+0.07	96.28	96.27	6,410	30,990

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.60	96.60	+0.02	96.60	96.60	100	1787
Dec	96.49	96.50	+0.02	96.52	96.48	43540	290451
Mar	96.35	96.39	+0.05	96.41	96.34	37457	287461
Jun	96.15	96.18	+0.05	96.21	96.13	43026	208598

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.76	+0.02			0	348
Oct		96.69	+0.02			0	265
Nov		96.65	+0.02			0	60
Dec		96.45	+0.02			0	700

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.22	93.25	+0.04	93.26	93.21	7965	99994
Dec	93.53	93.62	+0.09	93.63	93.53	21388	101154
Mar	93.84	93.94	+0.10	93.94	93.84	9245	54611
Jun	94.10	94.17	+0.07	94.18	94.10	4560	44091

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.42	98.46	+0.04	98.46	98.42	4959	60688
Dec	98.18	98.23	+0.06	98.24	98.15	9755	54737
Mar	98.02	98.10	+0.07	98.11	98.02	2227	27270
Jun	97.86	97.93	+0.08	97.92	97.86	544	8355

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.43	99.44	+0.02	99.43	99.43	65	n/a
Dec		99.39	+0.02			0	n/a
Mar		99.29	+0.03			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.64	95.84	+0.03	95.86	95.83	455	10736
Dec	95.53	95.57	+0.04	95.57	95.53	394	9634
Mar	95.52	95.54	+0.05	95.54	95.52	422	6101
Jun	95.47	95.48	+0.05	95.48	95.47	105	3498

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.07	0.44	0.78	0.07	0.07	0.09
9350	0.01	0.27	0.57	0.26	0.15	0.13
9375	0	0.12	0.40	0.50	0.25	0.21

Est. vol. total, Calls 2335 Puts 500. Previous day's open int., Calls 135808 Puts 83375

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.31	4.840	1.810	4725	5.451	20.18	491.2	408.8	21.26	3.991	1.641	3.671	2.636	311.5	2.460
Denmark	(DKr)	54.24	10	8.844	2.625	0.982	2563	2.956	10.93	266.4	221.8	11.53	2.165	0.890	1.991	1.430	169.0	1.334
France	(FFr)	61.33	11.31	10	2.969	1.110	2898	3.343	12.36	301.2	250.8	13.04	2.448	1.006	2.251	1.617	191.1	1.509
Germany	(DM)	20.66	3.809	3.369	1	0.374	976.3	1.126	4.164	101.5	84.48	4.392	0.825	0.339	0.758	0.545	64.36	0.508
Ireland	(I£)	55.26	10.18	9.010	2.675	1	2611	3.012	11.14	271.4	226.0	11.75	2.205	0.907	2.029	1.457	172.2	1.360
Italy	(L)	2.116	0.390	0.345	0.102	0.038	100	0.115	0.427	10.39	8.654	0.450	0.084	0.035	0.078	0.056	6.593	0.052
Netherlands	(Fl)	18.35	3.382	2.991	0.888	0.332	866.9	1	3.698	90.11	75.03	3.900	0.732	0.301	0.674	0.484	57.15	0.451
Norway	(NKr)	49.61	9.147	8.089	2.401	0.898	2344	2.704	10	243.7	202.9	10.55	1.980	0.814	1.821	1.308	154.6	1.221
Portugal	(Es)	20.36	3.754	3.320	0.985	0.368	962.1	1.110	4.104	100	83.26	4.328	0.816	0.334	0.747	0.537	63.43	0.501
Spain	(Pta)	24.45	4.508	3.987	1.184	0.443	1156	1.333	4.929	120.1	100	5.196	0.976	0.401	0.898	0.645	76.18	0.602
Sweden	(SKr)	47.04	8.672	7.670	2.277	0.851	2223	2.564	9.481	231.0	192.4	10	1.877	0.772	1.727	1.240	146.5	1.157
Switzerland	(SFr)	25.06	4.620	4.086	1.213	0.453	1184	1.366	5.051	123.1	102.5	5.327	1	0.411	0.920	0.660	78.06	0.617
UK	(£)	60.94	11.24	9.938	2.950	1.103	2880	3.322	12.28	299.3	249.2	12.96	2.432	1	2.237	1.606	189.8	1.499
Canada	(C$)	27.24	5.022	4.442	1.318	0.493	1287	1.485	5.491	133.8	111.4	5.791	1.087	0.447	1	0.718	84.86	0.670
USA	($)	37.94	6.995	6.186	1.836	0.687	1793	2.068	7.647	186.4	155.2	8.066	1.514	0.623	1.393	1	118.2	0.933
Japan	(Y)	32.10	5.918	5.234	1.554	0.581	1517	1.750	6.470	157.7	131.3	6.824	1.281	0.527	1.178	0.846	100	0.790
Ecu	-	40.65	7.494	6.627	1.967	0.736	1921	2.215	8.193	199.6	166.2	8.641	1.622	0.667	1.492	1.071	126.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5474	0.5458	-0.0026	0.5474	0.5445	32,567	98,775
Dec	0.5480	0.5493	-0.0023	0.5499	0.5480	698	4,529
Mar	-	0.5528	-0.0019	-	0.5528	156	1,322

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6627	0.6632	-0.0004	0.6640	0.6599	13,638	52,482
Dec	0.6708	0.6701	-0.0002	0.6708	0.6701	136	2,459
Mar	-	0.6771	-	-	-	7	1,058

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8517	0.8484	-0.0035	0.8518	0.8480	12,497	78,220
Dec	0.8602	0.8598	-0.0032	0.8602	0.8593	129	2,472
Mar	-	0.8730	-0.0016	-	0.8730	23	529

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6060	1.6054	-0.0038	1.6100	1.6010	5,238	48,597
Dec	1.6010	1.6000	-0.0038	1.6010	1.5980	92	1,093
Mar	-	1.5920	-0.0054	-	1.5920	8	208

UK INTEREST RATES

LONDON MONEY RATES

Aug 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 6 7/8	7 1/8 - 7	7 3/16 - 7 1/16	7 1/4 - 7 1/8	7 5/8 - 7 1/4	7 9/16 - 7 7/16
Sterling CDs	-	-	7 3/32 - 7 1/32	7 3/32 - 7 3/32	7 1/4 - 7 1/8	7 13/32 - 7 11/32
Treasury Bills	-	-	6 13/32 - 6 11/32	7 - 6 7/8	-	-
Bank Bills	-	-	6 13/32 - 6 11/32	6 31/32 - 6 27/32	7 1/16 - 7 1/16	-
Local authority deps.	7 - 6 3/4	7 - 6 3/4	7 3/32 - 7 1/32	7 3/32 - 7 3/32	7 9/32 - 7 1/4	7 7/16 - 7 3/8
Discount Market deps	7 - 6 7/8	6 7/8 - 6 3/4	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Aug 15, 6.7810pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 25, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.76	92.74	-0.02	92.76	92.74	9638	109576
Dec	92.63	92.61	-0.02	92.64	92.60	15834	121439
Mar	92.59	92.56	-0.03	92.60	92.55	12221	96573
Jun	92.58	92.57	-0.02	92.61	92.56	7405	69216
Sep	92.61	92.61	-0.01	92.64	92.59	3062	55252

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.24	0.16	0.21	0	0.07	0.15
9275	0.04	0.06	0.09	0.05	0.20	0.28
9300	0	0.01	0.04	0.26	0.40	0.48

Est. vol. total, Calls 4213 Puts 8403. Previous day's open int., Calls 195469 Puts 207949

EMS EUROPEAN CURRENCY UNIT RATES

Aug 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.90899	+0.00556	0.94	2.04	-8
Ireland	0.796709	0.738407	-0.000035	-7.55	11.41	51
Italy	1906.48	1926.57	-0.92	1.05	1.82	-8
Portugal	197.398	200.283	+0.221	1.46	1.51	-10
Spain	163.826	166.811	+0.118	1.82	1.15	-18
Denmark	7.34555	7.52045	+0.00677	2.38	0.60	-18
Netherlands	2.16979	2.22340	+0.0026	2.47	0.51	-18
Germany	1.92573	1.97462	+0.00248	2.54	0.45	-25
Austria	13.5485	13.8939	+0.0174	2.55	0.44	-19
Belgium	39.7191	40.7739	+0.045	2.66	0.33	-19
France	6.45863	6.65210	+0.00595	3.00	0.00	-25
NON ERM MEMBERS						
Greece	295.269	309.326	-0.401	4.76	-1.68	-
UK	0.793103	0.669963	-0.004173	-15.53	21.93	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.600	2.16	2.82	3.49	1.16	2.01	2.89
1.610	1.62	2.32	2.99	1.62	2.51	3.33
1.620	1.21	1.90	2.55	2.16	3.00	3.90

Previous day's vol., Calls 1,134 Puts 3,498. Prev. day's open int., Calls 35,502 Puts 36,880

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.535	1.56	1.63	-	0.21	0.41	0.58
0.540	1.16	1.50	-	0.33	0.54	0.75
0.545	0.86	1.19	1.50	0.50	0.73	0.96

Previous day's vol., Calls 1,208 Puts 1,234. Prev. day's open int., Calls 19,014 Puts 18,404

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.30	94.28	-0.02	94.30	94.28	85,548	490,942
Dec	94.16	94.16	-	94.17	94.14	101,977	482,966
Mar	94.12	94.11	-0.01	94.12	94.09	76,966	342,379

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.95	94.94	-0.01	94.95	94.94	531	7,832
Dec	-	94.86	-	-	94.86	462	2,056
Mar	-	94.82	-0.01	-	94.82	222	1,014

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9625	0.42	0.26	0.29	0.30	0	0.03	0.04	0.05
9650	0.16	0.10	0.11	0.12	0.01	0.10	0.11	0.12
9675	0.01	0.02	0.03	0.03	0.09	0.27	0.28	0.28
9700	0	0	0.01	0.01	0.33	0.50	0.51	0.51
9725	0	0	0	0	0.58	0.75	0.75	0.75

Est. vol. total, Calls 8342 Puts 3972. Previous day's open int., Calls 369184 Puts 289464

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.07	0.08	0.11	0.11	0.35	0.51
9875	0.01	0.03	0.05	0.30	0.55	0.70

Est. vol. total, Calls 0 Puts 175. Previous day's open int., Calls 4527 Puts 3655

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Western Trust	8.50
Bank of Scotland	7.00	C. Hoare & Co	7.00	Whiteaway Laidlaw	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00	Yorkshire Bank	7.00
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

● Members of London Investment Banking Association.
* In administration

COMMODITIES AND AGRICULTURE

Fears of shortages put squeeze on pepper

By Gary Mead

The occasionally bland world of pepper trading is hotting up. Speculators and dealers have spotted an opportunity to squeeze the market, amid fears of shortages of the spice.

International pepper prices have risen to levels not seen for a decade, and some traders are concerned that the peak has not yet been reached.

The price for black pepper, which is in much greater demand than white pepper, has risen to about $5,800 a tonne, compared with about $2,000 a tonne at the start of 1997. White pepper prices have also soared, to about $7,000 a tonne against some $3,000 a tonne a year ago.

"The world will never run out of pepper, but we are certainly currently in a situation of a worldwide shortage," said Han Herweyer, of Rotterdam-based traders Man Producten.

Pepper is harvested all through the year, with the five leading producer countries – India, Vietnam, Indonesia, Brazil and Malaysia – accounting for about 90 per cent of black pepper supplies and cropping the spice in different months. In a typical year the global pepper harvest is about 120,000 tonnes, with the Indian crop accounting for more than half that.

Some dealers suggest that the current world stock deficit might be as high as 20,000 tonnes. However, pepper can be kept in warehouses for several years without significant deterioration, and any shortfall is likely to be made up by a drawing-down of stocks, taking advantage of the current high prices.

Traders say that part of the reason for the price spike is India's relatively poor harvest in February–March, when the crop was slightly lower than average, at 55,000-60,000 tonnes, against the more typical 60,000-70,000 tonnes.

India normally keeps 20,000-30,000 tonnes for domestic consumption and exports the remainder. With this year's unusually low crop and concern that next year's might be still lower, speculators have seen the opportunity to drive prices up, particularly with global consumption continuing to grow.

But dealers also point out price jumps have happened before. In January 1980 black pepper traded at $2,000 a tonne. It fell to $1,100 a tonne in 1981–83 but eventually crept up to about $5,000 a tonne in 1988, before retreating to about $1,000 a tonne in 1993.

"The situation we are in at the moment is very similar to what prices were like in 1987–88. Those sorts of high prices held for about 18 months, but then pepper again came down from its dizzy heights," said David Marchington, a trader with the London-based firm of Chambers & Knight.

"There is a shortage of pepper, but most of the speculation is focused on fears for India's next crop in early 1998, and it's far too early to see what that will be like," he added.

Rescue plan for East Rand gold mine

By Mark Ashurst in Johannesburg

The South African government has pledged to try to save East Rand Proprietary Mines, formerly the world's deepest gold mine, from closure in September.

The mine, which is managed by Randgold, the mining investment company that operates some of the country's most marginal gold mines, employs about 4,500 workers and produces an average of 700kg of gold a month. The government is ERPM's largest shareholder, with about 20 per cent.

Roger Kebble, a Randgold director, said the company had reduced its holding in ERPM "to about zero" and would not renew its management agreement when it expired in September.

But the government yesterday confirmed its intention to try to save the mine. ERPM had already received government loans of R38m ($8.1m) since 1990 to meet the costs of pumping flood water from the geological basin where it is located.

The government had also guaranteed R252m in loans to another investor, FSAF Investments, to underwrite a portion of a rights issue at ERPM in 1993.

These monies had been reimbursed last year in accordance with the earlier agreement, after which the state had taken possession of FSAF and its interest in ERPM.

Mr Kebble said a further subsidy of R1m had been offered to ERPM this week. But he estimated the cost of saving the mine at about R90m. "It is not yet insolvent, but we are faced with the choice either to liquidate or inject capital."

Both sides are due to meet on August 26, although three previous meetings have failed to yield a consensus.

Fund selling hits aluminium

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Gary Mead

The squeeze in the London Metal Exchange's aluminium market could not prevent a 2½ per cent fall in the three-month price yesterday as investment fund selling drove it down by $50 a tonne to $1,628.

In the morning the LME authorities were carefully monitoring the market as option activity was expected to reach a crescendo. The premium for aluminium for immediate delivery, compared with three-month metal, increased to $60 a tonne at one point but eased back to $35–$45 by the close.

The squeeze in the zinc market was unabated and the premium for immediate delivery, compared with three-month zinc, was more than $150 a tonne. However, the LME reported that stocks of zinc in its warehouses had fallen by 5,175 tonnes to 377,700 tonnes. Alan Williamson, analyst at Deutsche Morgan Grenfell Securities, said: "Obviously there are some shenanigans going on. Zinc should be flying in to the LME."

Zinc for three-month delivery was caught up in the fund selling and closed at $1,477 a tonne, down $15.

Copper was again a target of the funds and the price fell to its lowest since December. A key technical support point, $2,120 a tonne, held firm, however, and three-month copper ended $17 a tonne down at $2,145.

Oil prices firmed after a dredger went aground and blocked the shipping channel of Lake Maracaibo, the export route for 1m barrels a day of Venezuelan crude oil.

The accident, near where a tanker was grounded earlier this year, lifted Brent Blend for October delivery to $19.22 a barrel, up 29 cents on Monday's close, in late trading on London's International Petroleum Exchange.

Crude prices were also bolstered by continuing signs of firm gasoline prices in the US, the world's biggest market. The publication last night after the markets closed of the latest US petroleum inventories was expected to provide the next direction for the market.

On Liffe the November benchmark contract for robusta coffee moved sharply higher, closing at $1,542 a tonne, up $59, following a similar renewal of interest on New York's Coffee, Sugar and Cocoa Exchange, where just before midday the September price for arabica coffee was up 6.80 cents to 187 cents a pound.

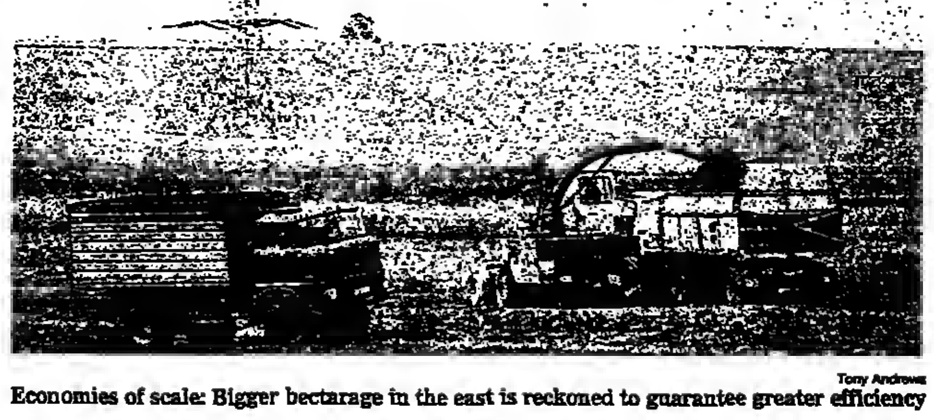
East German farms close gap with west

"I'm one of those famous 'Red Barons' the media talks about," says Hans Rotermann, chairman of the Agricultural Co-operative Lübstorf, and one of east Germany's former communist farm managers who have successfully made the transition to capitalism – much to the chagrin of their western counterparts, local small-holders and dispossessed former owners.

Until the collapse of communism, Mr Rotermann headed an "agricultural production co-operative" or LPG, the rural equivalent to the communist state-owned industrial combines. The LPGs were, nominally at least, co-operatives made up of land owned by smallholders and the state.

Today the Lübstorf co-operative in Mecklenburg-Vorpommern, the most agrarian of the five eastern states, runs to 4,600 hectares. This is slightly smaller than the LPG was, but considerably larger than most farms in western Germany. The average farm in the west is only 35 hectares while that in the east is slightly more than 100 hectares.

This marked discrepancy in size, as much a legacy of old quasi-feudal structures which existed east of the Elbe river pre-1945 as the effects of communist collectivist ambitions, is one of the main causes of contention between farmers in the two halves of the country.



Tony Andrews

Economies of scale: Bigger hectarage in the east is reckoned to guarantee greater efficiency

Bigger hectarage is considered to guarantee greater efficiency. "We have a significant advantage over west Germany, particularly over southern west Germany," says Hermann Steitz, state secretary in the agriculture ministry in Mecklenburg-Vorpommern and a westerner.

The advantages of size can be seen in the figures for annual income per farm which show that, in spite of structural difficulties, the east is already catching up and in some areas overtaking the west.

For west Germany as a whole the average income per farm is about DM80,000 ($44,000) a year. In Mecklenburg-Vorpommern the figure is DM62,000, while in the eastern state of Saxony-Anhalt, which has the best soil in Germany, average annual income is some DM90,000.

"When I meet farmers from the west, they tell me that we have already reached a point they have yet to set out for," says Mr Rotermann. "The ones with small farms are worried that subsidies will be cut, making their business even more difficult."

Mr Rotermann has other difficulties, most notably those linked to unresolved land ownership. Some 98 per cent of the land in the Lübstorf co-operative is tenanted, mostly from the state or from former owners.

Some of the latter were aristocratic estate owners who were expropriated shortly after the second world war and – under the terms of the unification treaty between the two Germanys – barred from the restitution process. They are, however, allowed to buy back their land at a discount to market value.

The result for Mr Rotermann is that the costs of tenancy "wipe out the advantages of size". Furthermore, banks are unwilling to lend against tenanted land, although the Lübstorf co-operative has been able to use buildings that it owns as collateral for loans.

The co-operative "just about makes a profit", says Mr Rotermann, but admits this is largely due to the DM3m it receives in subsidies, two-thirds of which come from EU common agricultural policy funds.

One problem affecting nearly all farms in the east is historical debt left over from communist times. In 1990 this stood at DM8bn.

Since then, the federal government has written off DM1.4bn, which was deemed to have been linked to loans for non-agricultural investments, such as the maintainance of country lanes and kindergartens.

Under communism, the LPGs were responsible for maintaining the fabric of rural life as much as they were for fulfilling government-set policies.

Commitments on old debts have already been taken out of the running accounts of farms. "The loans should not be the cause of any bankruptcies," says Otto Bammel, deputy head of the federal ministry of agriculture's Berlin office, which is responsible for the east.

Instead, those farms which make a profit are required to put aside 20 per cent of it for debt repayment. One result of this, however, has been that some farms now do their best to ensure that, on paper at least, they do not make a profit.

Frederick Studemann

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1673-6	1635-5.5
Previous	1740-50	1675-80
High/low		1672/1630
AM Official	1709-11	1663-4
Kerb close		1633-4
Open int.	292,032	
Total daily turnover	184,572	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1445-55	1475-80
Previous	1475-85	1502-07
High/low		1505/1475
AM Official	1470-75	1499-500
Kerb close		1470-75
Open int.	5,631	
Total daily turnover	1,802	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	589-90	602-3
Previous	596.5-97.5	610-11
High/low		605/601
AM Official	590-90.5	603-4
Kerb close		603
Open int.	35,322	
Total daily turnover	18,306	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6590-600	6690-700
Previous	6580-85	6685-90
High/low		6730/6650
AM Official	6560-65	6660-62
Kerb close		6670-80
Open int.	54,812	
Total daily turnover	19,913	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5335-40	5385-90
Previous	5325-30	5378-80
High/low		5390/5360
AM Official	5310-12	5360-61
Kerb close		5360-80
Open int.	15,933	
Total daily turnover	5,997	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1625-30	1472-4
Previous	1630-33	1491-93
High/low	1642	1493/1460
AM Official	1642-3	1482-3
Kerb close		1476-8
Open int.	91,028	
Total daily turnover	32,179	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2138.5-41.5	2144.5-5.5
Previous	2158-60	2152-53
High/low	2140	2153/2118
AM Official	2140-41	2145-6
Kerb close		2145-6
Open int.	138,841	
Total daily turnover	79,759	

■ LME AM Official £/$ rate: 1.6061
LME Closing £/$ rate: 1.6065

Spot: 1.6039 3 mths: 1.5980 6 mths: 1.5905 9 mths: 1.5850

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	97.60	+1.10	97.60	96.50	228	1,688
Sep	97.85	+1.15	98.10	96.50	10,496	20,825
Oct	98.15	+1.25	98.30	97.20	267	1,820
Nov	97.95	+1.15	98.10	97.90	124	1,482
Dec	98.05	+1.25	98.35	96.70	4,241	10,546
Jan	98.25	+1.15	98.00	97.00	12	708
Total					18,290	48,263

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	322.80-323.30		
Opening	321.60-321.90		
Morning fix	322.10	199.975	488.046
Afternoon fix	323.45	201.401	488.796
Day's High	323.70-324.00		
Day's Low	321.50-321.80		
Previous close	322.60-323.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.99 6 months 3.18
2 months ....3.21 12 months 3.42
3 months 3.22

Silver Fix	p/troy oz.	US cts equiv.
Spot	280.85	451.35
3 months	285.00	456.25
6 months	289.40	461.60
1 year	298.25	472.40
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	319-321	198-200
Maple Leaf	-	-
New Sovereign	75-77	46-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	323.0	+1.9	323.6	322.7	31	375
Sep	323.7	+1.9	-	-	1	2
Oct	324.7	+1.8	325.0	323.1	1,589	15,890
Dec	326.5	+1.8	327.2	324.5	39,012	120.4k
Feb	328.2	+1.8	328.9	327.1	260	13,977
Apr	330.0	+1.8	330.2	330.0	5	5,342
Total					41,005	206,822

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	408.0	-8.4	416.0	407.5	2,211	11,188
Jan	402.0	-6.8	407.0	403.0	15	2,583
Apr	396.5	-8.9	404.0	401.5	2	428
Total					2,229	14,190

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	197.50	-6.00	199.50	197.50	644	2,334
Dec	194.50	-5.50	195.00	194.00	331	1,745
Mar	192.50	-4.00	190.50	190.50	26	139
Jun	192.00	-4.00	-	-	-	107
Total					1,002	4,704

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	450.2	+1.0	450.0	448.0	17	14
Sep	451.2	+1.0	453.0	447.5	12,421	45,439
Dec	457.8	+1.0	459.0	455.0	2,473	23,793
Jan	459.4	+1.0	460.0	460.0	-	22
Mar	464.3	+1.0	465.5	462.0	72	10,640
May	468.4	+1.0	469.5	469.5	131	3,072
Total					14,987	98,543

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.18	+0.27	20.35	19.91	36,980	37,011
Oct	20.43	+0.28	20.55	20.14	31,007	99,980
Nov	20.49	+0.24	20.58	20.27	6,166	42,673
Dec	20.55	+0.24	20.60	20.32	5,842	50,207
Jan	20.53	+0.20	20.60	20.45	1,684	30,772
Feb	20.52	+0.18	20.56	20.42	1,158	17,868
Total					89,631	435,161

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	19.22	+0.29	19.29	18.92	14,925	87,906
Nov	19.30	+0.30	19.38	19.09	3,930	17,612
Dec	19.39	+0.28	19.40	19.23	479	19,811
Jan	19.44	+0.29	19.44	19.31	82	16,400
Feb	19.01	-	-	-	195	6,976
Mar	18.99	-	18.99	-	707	2,995
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls, c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	55.66	+0.56	56.00	55.00	11,391	31,425
Oct	58.45	+0.56	56.70	55.90	6,210	32,881
Nov	57.25	+0.51	57.50	57.10	1,504	19,080
Dec	58.05	+0.51	58.25	57.95	2,571	20,487
Jan	58.75	+0.61	58.50	58.70	850	15,715
Feb	58.75	+0.51	58.00	58.70	337	8,215
Total					23,468	148,685

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	171.75	+2.25	172.50	170.50	5,477	25,383
Oct	173.75	+2.25	174.25	172.50	2,347	14,686
Nov	175.50	+2.25	175.75	174.00	324	7,560
Dec	177.00	+2.00	177.00	175.50	802	13,625
Jan	177.50	+2.00	176.25	176.25	420	8,129
Feb	177.00	+2.00	175.75	175.75	55	4,980
Total					9,462	83,071

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	8.950	-0.050	8.970	8.920	305	605
Oct	10.750	-0.020	10.770	10.750	15	1,210
Total					836	6,370

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.520	+0.094	2.525	2.420	16,072	41,733
Oct	2.530	+0.085	2.535	2.435	10,154	42,462
Nov	2.655	+0.075	2.670	2.575	3,102	18,739
Dec	2.795	+0.050	2.800	2.700	1,712	18,530
Jan	2.805	+0.050	2.810	2.715	1,094	18,494
Feb	2.600	+0.055	2.615	2.569	813	13,491
Total					35,245	229,829

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	66.65	-0.18	67.20	65.40	20,437	34,274
Oct	60.80	+0.66	60.85	59.95	8,432	26,981
Nov	58.45	+0.41	58.60	57.80	1,294	10,705
Dec	57.85	+0.45	58.00	57.80	577	11,161
Jan	57.85	+0.45	57.85	57.80	325	9,857
Feb	58.30	+0.50	58.80	58.30	318	3,570
Total					32,576	105,678

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	86.00	+0.50	86.00	86.00	25	205
Nov	89.00	+0.50	89.25	87.95	263	4,158
Jan	91.00	+0.50	91.25	90.00	302	2,754
Mar	93.00	+0.50	92.95	92.00	49	1,844
May	95.00	+0.50	95.25	94.25	32	975
Jul	97.00	+0.50	-	-	-	38
Total					651	9,874

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	360.75	+3.25	362.00	358.00	3,209	24,436
Dec	375.75	+3	377.00	374.00	8,452	54,874
Mar	386.75	+2	387.75	386.50	907	16,036
May	389.00	+1.5	390.00	388.00	353	1,830
Jul	387.50	+1.5	388.25	386.00	868	7,088
Dec	402.50	+6.5	406.50	402.50	-	2
Total					13,788	104,268

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	263.50	+2.75	264.00	261.75	9,278	38,434
Dec	267.25	+3.75	267.75	264.75	26,362	162,381
Mar	275.75	+4	276.00	273.00	2,319	38,455
May	280.75	+4	281.25	278.00	697	10,143
Jul	283.75	+4	284.25	282.00	1,398	17,120
Sep	266.50	+4.5	268.00	264.00	35	1,577
Total					41,127	276,665

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	79.25	-	-	-	-	138
Nov	82.25	-	82.30	82.00	7	996
Jan	84.25	-	84.30	84.25	10	421
Mar	86.25	-	86.00	86.00	20	368
May	87.75	-	-	-	-	19
Total					37	1,942

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	779.25	-6.25	791.00	772.00	2,519	1,719
Sep	654.75	+4	659.00	650.75	4,186	14,389
Nov	619.50	+11.5	621.00	607.00	24,006	83,575
Jan	623.50	+12.25	624.50	610.00	1,662	17,159
Mar	632.50	+10.25	633.25	627.00	1,426	6,578
May	639.75	+8.75	640.00	635.00	893	5,506
Total					35,507	134,884

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	22.15	-0.03	22.32	22.13	287	486
Sep	22.22	-0.04	22.40	22.13	2,708	19,381
Oct	22.40	-0.05	22.60	22.30	1,895	14,351
Dec	22.74	-0.04	23.02	22.65	5,302	44,829
Jan	22.91	-0.05	23.00	22.50	338	7,670
Mar	23.20	-0.01	23.35	23.08	802	5,712
Total					11,710	97,241

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	270.3	+7.1	271.0	265.0	3,297	3,760
Sep	235.4	+5	236.4	231.0	5,330	25,834
Oct	214.0	+6.7	214.2	209.0	1,339	15,971
Dec	204.6	+5.9	205.8	199.8	8,088	42,580
Jan	201.5	+6.2	201.5	196.8	653	6,737
Mar	198.0	+6.2	198.5	194.0	325	8,457
Total					18,225	110,344

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0		-	-	-	8
Mar	109.0	-4.0	-	-	-	-
Apr	125.0	-4.0	129.9	125.0	54	1,332
May	135.0	-4.0	-	-	-	2
Jun	145.0	-4.0	-	-	-	-
Total					64	1,342

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1310	+10	1310	1310	5	750
Sep	1385	+15	1385	1370	8	605
Oct	1485	+10	1485	1470	10	1,527
Jan	1500	-	-	-	-	249
Total					23	3,141

	Close	Prev
BFI	1293	1292

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	540.00	-3.00	540.00	540.00	20	223
Dec	558.00	-3.50	559.00	558.00	11	130
Total					31	360

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1025	+5	1037	1023	1,837	18,466
Dec	1054	+4	1068	1052	2,703	43,149
Mar	1077	+7	1088	1074	1,108	50,519
May	1092	+6	1103	1092	231	22,134
Jul	1107	+5	1120	1105	308	7,606
Sep	1123	+4	1130	1125	35	10,957
Total					7,723	179,438

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1535	-8	1552	1526	879	2,107
Dec	1553	-10	1568	1540	6,736	38,316
Mar	1584	-7	1591	1574	981	25,784
May	1603	-9	1612	1598	90	12,276
Jul	1623	-9	1633	1632	87	2,475
Sep	1645	-9	1654	1654	50	3,941
Total					8,571	98,701

■ COCOA (ICCO) (SDR's/tonne)

Aug 18	Price	Prev. day
Daily	1204.17	1194.18

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1520	+59	1542	1462	2,481	13,733
Nov	1542	+59	1570	1485	2,287	16,245
Jan	1530	+60	1550	1477	476	5,743
Mar	1510	+60	1517	1463	251	1,775
May	1500	+60	1490	1460	80	227
Jul	1495	+60	-	-	-	32
Total					5,575	38,782

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	187.10	+6.90	188.00	183.00	2,065	4,568
Dec	167.15	+4.20	168.00	165.30	2,441	8,703
Mar	150.00	+3.00	150.75	148.00	286	3,936
May	144.50	+3.00	144.25	142.50	45	1,153
Jul	140.00	+3.00	140.00	138.10	27	801
Sep	135.50	+3.00	-	-	8	290
Total					4,875	18,536

■ COFFEE (ICO) (US cents/pound)

Aug 18		Prev. day
Comp. daily	127.67	128.13
15 day average	136.65	137.45

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	327.1	+0.7	329.0	326.0	674	14,155
Dec	324.4	+0.7	325.0	323.4	308	8,405
Mar	327.1	+1.1	330.0	325.8	781	8,025
May	325.3	+1.7	326.0	324.5	262	1,863
Aug	323.3	+3.9	322.5	322.5	10	924
Oct	318.3	+1.2	318.6	317.0	122	2,171
Total					2,309	33,680

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.84	+0.02	12.00	11.78	9,279	99,538
Mar	12.05	+0.05	12.14	12.00	4,739	65,872
May	12.02	+0.08	12.05	11.96	1,323	14,855
Jul	11.90	+0.05	11.92	11.84	963	9,249
Oct	11.88	+0.03	11.90	11.85	991	7,113
Mar	11.82	+0.03	11.83	11.79	10	1,162
Total					17,305	197,938

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.58	-0.22	73.85	73.30	15	8,673
Dec	73.85	+0.07	74.00	73.45	87	42,771
Mar	75.10	+0.10	75.20	74.75	1,291	12,282
May	75.85	+0.13	75.90	75.50	1,121	4,708
Jul	78.60	+0.23	78.75	78.20	828	3,989
Oct	75.10	+0.10	75.10	75.10	11	671
Total					12,231	80,358

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	69.05	+1.85	69.50	67.60	3,769	12,720
Nov	70.50	+1.70	70.80	69.40	5,077	12,847
Jan	73.40	+1.70	73.80	72.40	1,431	5,483
Mar	76.30	+1.60	76.50	75.00	504	3,640
May	78.50	+1.00	79.10	78.25	229	965
Jul	81.00	+1.00	81.00	80.00	115	492
Total					11,125	36,372

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 19	Aug 18	month ago	year ago
1892.6	1884.5	1884.4	1948.0

■ CRB Futures (Base: 1967 = 100)

Aug 18	Aug 15	month ago	year ago
237.88	239.13		

■ GSCI Spot (Base: 1970 = 100)

Aug 18	Aug 15	month ago	year ago
193.85	184.99	199.91	

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-425	to	658,075
Aluminium alloy	-120	to	54,540
Copper	+4,075	to	298,675
Lead	-325	to	118,400
Nickel	+180	to	56,008
Zinc	-5,175	to	377,700
Tin	-120	to	10,996

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated. Antimony: 99.65%, $ per tonne, 1,900-1,970. Bismuth: min. 99.99%, $ per lb, 3.40-3.70. Cadmium: min. 99.99%, cents a pound, 45.00-55.00. Cobalt: MB free market, min. 99.8%, 22.30-23.20; min. 99.3%, 19.35-20.00. Mercury: min. 99.99%, $ per 76 lb flask, 148-158. Molybdenum: drummed molybdic oxide, 4.35-4.45. Selenium: min 99.5%, 1.90-2.50. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 40-45. Vanadium: min. 98%, CIF, 4.05-4.10. Uranium: Nuexco unrestricted exchange value, 9.30.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	66.325	-0.1	66.700	66.250	2,543	4,129
Oct	68.850	+0.15	69.450	68.500	13,127	49,510
Dec	71.000	+0.225	71.350	70.700	4,331	21,907
Feb	72.850	+0.1	73.175	72.700	2,147	11,450
Apr	74.850	+0.1	75.075	74.650	654	4,934
Jun	71.725	+0.225	71.800	71.575	357	2,767
Total					11,572	96,320

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	70.200	+0.35	70.650	69.650	7,242	17,274
Dec	67.275	+0.725	67.625	66.550	2,663	6,497
Feb	66.275	+0.675	66.500	65.600	351	2,878
Apr	62.500	+0.375	62.700	62.300	161	1,813
Jun	66.975	+0.275	67.150	66.900	54	835
Jul	65.450	+0.3	65.500	65.500	10	633
Total					7,053	34,578

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	83.750	+1.45	83.775	82.650	116	688
Feb	70.850	+1	71.725	70.200	1,543	3,594
Mar	71.150	+1.3	71.250	70.000	198	303
May	71.475	+0.7	71.500	71.500	1	25
Jul	71.875	-0.975	-	-	1	18
Total					1,242	4,532

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Nov	Sep	Nov
1600	42	89	21	68
1650	19	66	48	94
1700	7	48	85	125
■ COPPER (Grade A) LME	Sep	Nov	Sep	Nov
2100	79	119	25	83
2150	50	95	48	107
2200	29	74	75	136
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1500	35	118	15	76
1550	12	93	42	101
1600	5	73	83	131
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1000	26	91	1	37
1025	9	76	8	47
1050	1	63	26	59
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1800	-	-	-	31
1850	-	-	-	47
1900	-	-	-	65

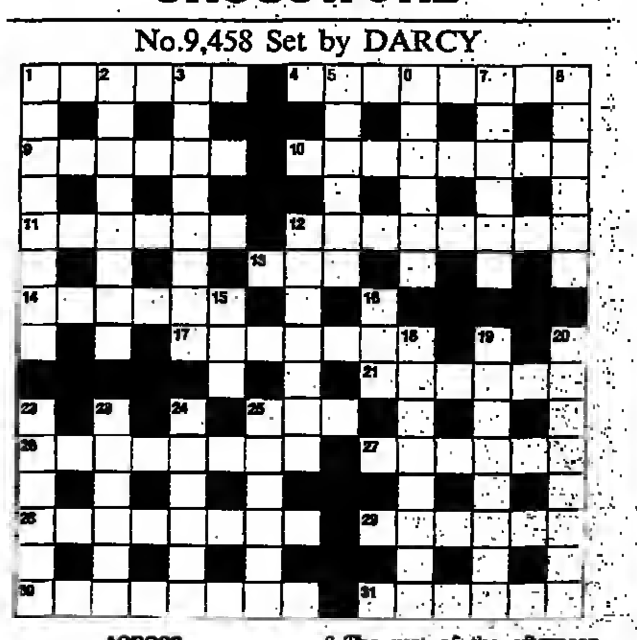
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.96-8.06w	+0.39
Brent Blend (dated)	$18.90-8.96	+0.48
Brent Blend (Oct)	$19.20-9.22	+0.435
W.T.I.	$20.46-0.47w	+0.425
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$228-233	+2
Gas Oil	$171-173	+1.5
Heavy Fuel Oil	$91-93	
Naphtha	$182-194	
Jet fuel	$188-190	+2.5
Diesel	$175-177	+2
■ NATURAL GAS (Pence/therm)		
Bacton (Sep)	8.90-9.00	
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)‡	$323.05	+0.20
Silver (per troy oz)‡	453.00c	+3.00
Platinum (per troy oz.)	$411.50	-11.5
Palladium (per troy oz.)	$199.00	-8.00
Copper	113.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.65r	+0.06
Tin (New York)	251.5	
Cattle (live weight)	100.61p	-0.09*
Sheep (live weight)	108.43p	-5.17*
Pigs (live weight)	88.91p	-4.03*
Lon. day sugar (raw)	$287.20	-1.30
Lon. day sugar (wte)	$346.00	-2.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£100.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)¥	61.75p	
Rubber (Oct)¥	62.00p	
Rubber (KL RSS No1)	282.0z	+0.5
Coconut Oil (Phil)§	550.0y	-10.0
Palm Oil (Malay.)§	487.5z	-10.0
Copra (Phil)§	355.0y	-2.5
Soyabeans (US)	212.0	
Cotton Outlook'A' index	81.05c	-0.40
Wooltops (64s Super)	403p	

JOTTER PAD

CROSSWORD

No.9,458 Set by DARCY



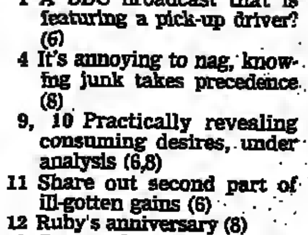
ACROSS

1 A BBC broadcast that is featuring a pick-up driver? (6)
4 It's annoying to nag, knowing junk takes precedence (8)
9, 10 Practically revealing consuming desires, under analysis (6,8)
11 Share out second part of ill-gotten gains (6)
12 Ruby's anniversary (8)
13 Group of twelve rejecting the same religion (3)
14 60% of stuff in comedian's come-back gets a laugh (6)
17 Chant quietly – it's terribly gripping (7)
21 The annoying thing is lacking fine distinction (6)
25 Ask for dog-food? (3)
26 American may take flight if this doesn't work (8)
27 Slice out, gripping hard tool (6)
28, 29 Organised support for unions later (8,6)
30 Sufficient publicity to suggest similarities (8)
31 Fellow recently sacking European without qualifications (6)

DOWN

1 Run-up to election affected by unexpected gain (8)
2, 13 In-crowds? They're all the same (5,2,1,7)
3 I go armed to sort out original character (8)
5 Inhuman king's in Elsinore – body-count going up? (6)
6 The rest of the afternoon (6)
7, 23 One cultivating head of state – the third in line (6,6)
8 You almost laugh – it may attract Jack's attention (2-2-2)
12, 19 Improve personal finances, and prepare to install new clutch? (7,4,4)
15 Increase volume, hearing hits? (8)
16 Reduce volume, almost pale . . . (3)
18 . . . opposing efforts to demonstrate type of simplifier (4-4)
19 See 12 down
20 In Paris, I may have a terrible feeling of envy (6)
22 End up supporting woman's Shakespearian role (6)
23 See 7 down
24 Suffering bulimia, one's left Californian beach (6)
25 First of bills? Nothing is paid for! (6)

Solution 9,457



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BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

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Saracen Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

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IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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American Phoenix Investment Portfolios (u)

12 rue Goethe, L-1637 Luxembourg 00 352 404946211

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Ptslo			Ecu24.79		+0.26	-
European Multinational Ptslo			$28.59		+0.28	-
European Multinational Ptslo			£16.55		+0.18	-
European Multinational Ptslo			L47003		+405	-
European Multinational Ptslo			DM48.61		+0.51	-
Global Multinational Ptslo			Ecu23.28		-0.04	-
Global Multinational Ptslo			$24.97		-0.24	-
Global Multinational Ptslo			£10.54		-0.13	-
Global Multinational Ptslo			L44702		-54	-
Global Multinational Ptslo			DM45.83		+0.03	-
US Growth Companies			$17.26		-0.33	-
US Growth Companies			£10.74		-0.27	-
US Growth Companies			L30920		-594	-
US Growth Companies			DM31.71		-0.61	-
US Real Estate Securities			$15.80		+0.02	-
US Real Estate Securities			£9.71		+0.02	-
US Real Estate Securities			L27920		+37	-
US Real Estate Securities			DM28.63		+0.04	-

BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
International NAV Jul 31 F			$981.42		—	-
Interportfolio Fund						
Convertible (US$) Jul 31			$780.93		—	-
Convertible (FFr) Jul 31 F			FFr3354.92		—	-
Comfort (US$)		2	$540.83		—	-

Bank Von Ernst & Cie AG

Marktgasse 63/65, 3007 Bern, Switzerland 0041 313291111

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity			£17.47		-0.11	-
UK Smaller Co's Eqty			£28.61		-0.11	-
Nth American Equity			£17.08		+0.20	-
US Smaller Corp Eqty			$24.52		-0.02	-
Pacific Basin Equity			$15.20		-0.27	-
Japanese Equity			Y569		-4	-
European Equity			DM18.		-0.32	-
Swiss Equity			SFr15.2		-0.26	-
Sterling Fixed Inc			£15.87		+0.01	-
Sterling Fixed Inc Div			£10.58		—	-
European Fixed Inc			DM12.54		+0.03	-
European Fixed 98 Div			£25.35		+0.02	-
DM Bond Cap			DM11.78		-0.01	-
DM Short Term Cap			DM16.19		—	-
Global Equity			$14.36		+0.09	-
Global Bond			$11.50		+0.09	-
Global Bond Dis			$9.80		+0.08	-
Global Managed			DM22.56		-0.16	-
Swiss Franc Short Term Dis			SFr9.27		—	-
Swiss Franc Short Term Cap			SFr9.80		—	-
Swiss Franc Bonds Dis			SFr10.21		-0.01	-
Swiss Franc Bonds Cap			SFr13.11		-0.01	-

Banque Indosuez

Foreign & Colonial Portfolios Fd Sicav(u)

33 Boulevard Prince Henri, L-1724 Lux 00 352 2269 211

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Am Smlr Cos Eq F			$42.88		-0.55	-
Japanese Smlr Cos Eq F			Y875.00		+1.00	-
European Smlr Cos Eq F			Ecu17.68		-0.00	-
Emerging Asian Eq F			$21.53		-0.29	-
Sterling Beta F			£9.97		—	-
Sterling Distribution F		5	£9.46		-0.27	-

Frontrunner I (u)

672 rue de Neudorf, Luxembourg 00 352 43887350

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Equities			Ecu171.59		—	-
Global Bonds			DKr178.40		—	-
Global Bonds			DM158.44		—	-
Sterling Fund			$193.25		—	-
Danish Bonds			DKr179.04		—	-
Swedish Bonds		3	SKr128.88		—	-
German Bonds			DM108.08		—	-
Dollar Bonds		3	$101.12		—	-
Scandinavian Equities			Ecu200.18		—	-
Far East Equities			$89.99		—	-
North American Equities		5	$106.67		—	-
Danish Kroner Reserve			DKr111.30		—	-
Swedish Kroner Reserve			SKr110.89		—	-
German Mark Reserve			DM108.31		—	-
US Dollar Reserve		3	$161.35		—	-
ECU Reserve			Ecu111.12		—	-
Norwegian Kroner Reserve			NKr100.14		—	-
Cancel 2/1998		3	DKr120.57		—	-
Bonds 2/1998		3	DKr103.18		—	-
Bonds 2/7999			DKr102.18		—	-
Danish Mortgage Bonds			DKr101.79		—	-
Danish Long Bonds		3	DKr102.40		—	-

GT Global

(44) 171 710 4567 London (852) 2842 7200 Hong Kong

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
GT Europe A			$79.82	84.61	+1.00	0.00
GT Europe A			£49.68	52.20	+0.62	0.00
GT Europe B			$80.00		+1.00	0.00
GT Europe B			£49.82		+0.62	0.00
GT Investment A			$37.76	39.74	+0.15	0.06
GT Investment A			£23.50	24.73	+0.09	0.00
GT Investment B			$37.87		+0.16	0.00
GT Investment B			£23.57		+0.09	0.00
GT US Small Cos A			$39.56	41.11	-0.10	0.00
GT US Small Cos A			£24.31	25.59	-0.00	0.00
GT US Small Cos B			$39.18		-0.10	-
GT US Small Cos B			£24.38		-0.00	0.00

HSBC Investment Funds Luxembourg SA (u)

7 rue du Marche-aux-Herbes L-1728 Luxembourg

Dealing 00 352 47887220 Fax 475569

HSBC Global Investment Funds

International and Regional Funds

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Asian Equity			$30.42	32.11	-0.08	-
International Emerging Mkts			$10.72	11.32	-0.18	-

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LUXEMBOURG (REGULATED)(**)

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Royal Skandia Life Assurance Ltd

BAS-EX Currency Fund Plc

BEA Associates

Julius Baer Bank & Trust Co Ltd

Banca Reig, S.A. (Principality of Andorra)

Banco do Brasil-BB Fund

Banc Internacional D'Andorra Banca Mora

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BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

MEDIA - Cont.

PROPERTY

RETAILERS, GENERAL - Cont.

TOBACCO

AIM - Cont.

TRANSPORT

SUPPORT SERVICES

OIL EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

WATER

AMERICANS

AIM

OIL, INTEGRATED

OTHER FINANCIAL

CANADIANS

LEISURE & HOTELS

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27⅛	—	*£27⅛	£20¾	2,091	2.7	ϕ
Barlow	♣†	727½	+½	885	551	1,558	1.8	18.1
Gold Flds Prop R	†	159	-33½	197	122	18.3	5.4	12.3
SA Brews		£18½	+⅛	£20⅛	£13½	5,501	2.0	ϕ
Standard Bank		£28½	+½	£30	£21	3,472	1.9	ϕ
Tiger Oats	†	982	+27	1180	790	1,484	1.8	18.0
Tongaat-Hulett		788½	+2¼	788½	676¼	744.3	2.5	ϕ

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

LIFE ASSURANCE

TELECOMMUNICATIONS

MEDIA

RETAILERS, GENERAL

TEXTILES & APPAREL

PHARMACEUTICALS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- Rule 4.2(a) Irish incorporated non-listed companies
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
H Assumed yield after pending scrip and/or rights issue.
J Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1995
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
P Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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LONDON STOCK EXCHANGE

Wall St rally injects confidence into London

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The London market's preoccupation with the potential for a further correction faded into the background yesterday after Wall Street's rally overnight and news that the anthorities had left German repo rates unchanged.

Already given a big boost at the opening by tbose factors. London was lifted further hy a sparkling opening performance by the Dow Jones Industrial Average, which raced up almost 50 points minutes after the New York market kicked off yesterday.

Such was tbe UK market's resurgence of confidence that thc FTSE 100 finisbed the session 79.2 or 1.6 per cent bigber at 4,914.2. Other FTSE indices also made rapid progress but were left standing by the pace of the Footsie'9 recovery. At its best, tbe FTSE 100 reached 4,918.0, up 83.

The FTSE 250, which bas begun to make up ground on the 100 index over recent weeks, moved up 17.2 to close at 4,680.8, bsving bit a session high of 4,683.0, and the FTSE SmallCap 11.1 to 2,239.7, the best of the day.

London's gain was hy no means exceptional when measured against rises across other European markets. Germany's Dax index was around 2.5 per cent higher and the French CAC 40 index was ahead hy around 2 per cent.

Apart from the overwhelming influence from across the Atlantic there were other bullish stories belping to drive London stocks forward.

There was a more than a vague rumour circulating in the market that a £1bn-plus bid was in the offing, and a small share buy-back by Barclays Bank took place, reviving market hopes that other, more substantial buy-back operations might soon he set in train.

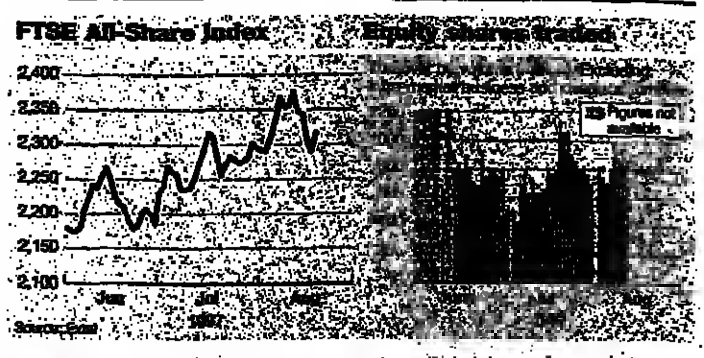
There was talk that BG, formerly a part of the old Britisb Gas, migbt seek permission to buy in £1bn wortb of its own shares when it announces its interim figures next month.

"The mini-panic over a correction seems to have subsided, for the time being at least," said one marketmaker, although hs cantioned that furtber bouts of extreme turbulence are more than likely until the summer boliday period is over.

"The institutions haven't sold any stock to speak of, and it looks increasingly as if they won't be persuaded to until the big decision-makers return from their summer breaks," he continued. "Which means that any bouts of uncertainty in the markets will be accompanied by big swings in either direction," he said.

Wall Street's big gain came as dealers forecast no shift in monetary policy by the Federal Reserve's Open Market Committee, which met to decide policy yesterday afternoon. No announcement from the Fed was forthcoming well after London closed for trading.

Turnover in equities at the 6pm cut-off point reached 694.9m shares, well above Monday's pitiful 595.9m shares but still substantially down on levels of recent months.



Indices and ratios

FTSE 100	4914.2	+79.2	FT 30	3156.0	+31.2
FTSE 250	4680.8	+16.8	FTSE Non-Fins p/e	19.86	19.65
FTSE 350	2373.1	+32.5	FTSE 100 Fut Sep	4944.0	+92.0
FTSE All-Share	2317.83	+30.43	10 yr Gilt yield	7.07	7.07
FTSE All-Share yield	3.39	3.43	Long gilt/equity yld ratio	2.09	2.07

Best performing sectors		Worst performing sectors	
1 Banks: Retail	+3.0	1 Extractive Industries	-1.4
2 Oil: Integrated	+2.9	2 Engineering: Vehicles	-1.4
3 Pharmaceuticals	+2.5	3 Textiles & Apparel	-0.8
4 Mineral Extraction	+2.3	4 Water	-0.3
5 Consumer Goods	+1.6	5 Engineering	-0.2

Hope for BG share buy-back

By Peter John and Joel Kibazo

BG moved forward 1½ to 254p as the market began to speculate that it will launch one of the biggest ever UK share huy-backs.

The company had already signalled it will repurchase stock as part of a halance sheet restructuring, which will also entail a dividend cut from 16p hefore the demerger to between 8p and 9p for the first set of results in the new form.

But, there is a growing feeling that BG might indicate a repurchase of up to 10 per cent of its stock when it announces its interim figures on September 7.

That is at the top of the range of provisional estimates. It would represent £1hn pouring hack into investors' coffers and enahle the company to provide real dividend growth of around 5 per cent a year.

The figure bas been given weight by NatWest Securities, which has taken a thorough look at the numbers and recalculated its share price target from 245p previously to 280p.

BG said that while it had signalled in June it was considering a repurcbase it would not comment on market speculation.

Shell Transport raced higher, its recent spell io the doldrums coming to a close as NatWest raised its dividend forecast.

The hroker bas more than douhled its 1998 dividend growth forecast for the Royal Dutch arm to 21 per cent. The change of stance is based on the continued strength of sterling against the Dutch guilder.

Shell is a core holding of most investment institutions, which concentrate on dividend growth rather than bigher share values. And the hroker says its forecasts "may well exceed the expectations of the US and Dutch markets, which together hold 84 per cent of the stock."

NatWest also says that the recent correction in the share price has less to do with the recent figures and more to do with the 20 per cent outperformance of the shares against the FTSE All-Share index since April. The shares ended 14 up at 430½p.

News of a big discovery by Elf Aquitaine in west Africa gave a substantial boost to BP, which bas a 16 per cent stake in the field.

Announcement of the massive Dalia oil field off Angola followed the recent news of Elf's Girassol find, and highligbted the potential for other US and European oil companies. The new field, with reserves estimated in excess of 1bn barrels, may prove to be the largest west African offshore find so far.

Also, NatWest raised its earnings per share estimate for the company by between 3 and 5 per cent over the next three years. Its new figures are 52.8p in 1997, 56.1p in 1998 and 57p in 1999. The shares gained 21¼ to 859p

Monday's statement from catalogue retailer Argos, indlcating it had seen an uplift in second-half sales hecause of the impact of hullding society windfalls, helped hoost the shares yesterday.

They put on 7 to 628½p, although volume, as in the market as a whole, remained painfully thin.

Argos also reported a 12 per cent decline in interim profits on Monday hut an improvement in like-for-like sales has kept leading analysts positive on the stock.

The team at UBS yesterday reiterated its "huy" stance on the shares, saying: "Although the premium sales growth is costing more to achieve tbese days, the format initiatives and space growth underpin a very solid medium term ontlook. The well versed cost factors should fade next year."

BZW is also a fan of the shares and in a note to clients said: "The reasons to buy Argos remain the same: physical immaturity, an ability to grow like-for-like sales quicker than the opposition, especially in more testing retail environment than that currently being seen, and an excellent return on capital, giving strong cash generation despite the pace of investment."

Laura Ashley was once again a talking point after it warned lt expected a first-half loss of around £4.5m hut was looking to hreak even for the full year. It intends curhing its store opening programme in the US and is to shed 190 workers at two factories in Wales.

The shares eased to 55½p, in trade of 3.3m with analysts continuing to qnestion whether the company is moving in the right direction.

Furniture retailer MFI Furniture closed 4 ahead at 159p, as the shares responded to a recommendation from ABN Amro Hoare Govett.

The broker believes the shares to be "undervalued" given that sales are continuing to come through and the company is likely to perform strongly in the second-half."

Shares in WH Smith appreciated 16½ to 375½p after shareholders at the extraordinary general meeting yesterday approved a special resolution authorising the company to purchase a maximum of 28.5m of its ordinary shares, representing approximately 10 per cent of the company's issued share capital. Break up hid talk also continued to support the stock.

HSBC reversed some of the spectacular share price slides of the past few days to close 79½ better at £21.76½p as Dresdner Kleinwort Benson reiterated its strong buy on the stock and its £26.00 share price target. Dealers said NatWest was also pointing out that the Asian banks were oversold. Standard Chartered lifted 47½ to £10.44p.

Barclays lifted 11 to £13.93½p as the bank bought back another 1m shares. The Bank bought 1m shares at £13.86 on Monday.

Leading drug stocks registered relief at Wall Street's recovery late on Monday and during UK trading yesterday. Glaxo Wellcome rose 36 to £12.31½ and Zeneca 52 to £19.42.

Cadbury Scbweppes fell 4¼ to 597½p, after Oppenbeimer, the US broker, signalled a slackening of US investor interest.

US buying bas been one of the main supporting factors for the shares in recent sessions and the hroker was yesterday reported to have downgraded its recommendation on the beverage and confectionery manufacturer to "market perform" from "buy" according to dealers.

Rio Tintn, one of the world's biggest mining companies, dipped 14 to 998½p. The underlying copper price hit its lowest level since the start of the year.

Turnover in BT was 19m, making it one of the most beavily traded stocks in the market. However, profit-taking left the shares 2 off at 379½p.

Engineering groups Siebe and GKN led the list of the Footsie worst performers yesterday as several engineering stocks retreated.

FT 30 INDEX

	Aug 19	Aug 18	Aug 15	Aug 14	Aug 13	Yr ago	*High	*Low
FT 30	3156.0	3124.8	3143.3	3168.2	3165.0	2819.8	3222.3	2668.8
Ord. div. yield	3.50	3.53	3.51	3.44	3.45	4.04	4.22	3.39
P/E ratio net	18.49	18.30	18.40	18.80	18.74	17.04	19.07	15.80
P/E ratio nil	19.30	18.11	18.22	18.61	18.55	18.88	18.88	15.71

FT 30 since compilation: high 3226.5 12/08/97; low 49.4 26/06/40, Base Date 1/7/35

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3138.3	3144.3	3124.8	3154.8	3140.8	3143.4	3138.1	3141.3	3151.2	3157.4	3124.8

	Aug 19	Aug 18	Aug 15	Aug 14	Aug 13	Yr ago
SEAO bargains	42,486	47,821	44,454	44,885	49,231	31,741
Equity turnover (£m)†	-	NA	NA	NA	NA	1445.4
Equity bargains†	-	NA	NA	NA	NA	39,635
Shares traded (ml)†	-	NA	NA	NA	NA	600.1

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,014	Total Highs	52	Total contracts	42,772
Total Falls	468	Total Lows	75	Calls	20,302
Same	1,598			Puts	22,470

Aug 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4900.0	4944.0	+101.0	4955.0	4878.0	8020	71974
Dec	4971.0	5010.0	+101.0	4973.0	4950.5	449	6429
Mar		5054.0	+101.0			0	391

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4736.0	+16.0			0	8933

■ FTSE 100 INDEX OPTION (LIFFE) (*4917) £10 per full index point

	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P
Sep	232	53½	215	66	177½	81	147½	101½	117½	124	92	152½	71	183	52½	217
Oct	296	82	259	96	228½	114	197	135	167	158	138½	184	117½	213	96	243
Nov	344	110½	308	125	276½	145½	246½	166	219	187	189½	210	168	239	146	268½
Dec	384	124	358½	141½	318½	161	288	181½	258½	202½	225½	225½	202½	254½	179½	284
Jun†			467½	215			425½	252½			380½	297			323	348

Calls 3,945 Puts 6,589

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P
Sep	226	58	190	72	157½	89	128	109	102	132½	80	160½	61½	191½	46	226
Oct	272½	87	238½	102½	207	120	177½	140	150½	162	128	187½	104½	215	85½	245½
Nov	325½	116½	292½	132½	261	150	231½	169½	204	191	178½	214½	155	240	133½	268
Dec			325½	145			264	181			289½	224			162	274
Mar†			407½	188½			349½	225			294	266½			244½	312½

Calls 7,810 Puts 7,203. * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	403	Antofagasta Uts	404	-3½	-	-	-	-
§	F.P.	5,038	242½	220½	Billiton	242	+8	RQ10c	1.8	2.6	24.3
*	F.P.	7.94	80½	70½	†Blakes Clothing	79½	-½	L1.45	5.1	2.3	8.7
-	F.P.	85.8	109¼	101	Bristol & W Prf	109¼	+½	-	-	-	-
§100	F.P.	29.0	145	109½	Cammell Laird	138½	+½	L3.8	2.1	3.5	13.2
	F.P.	-	118	114	EMI 9	115		22.75	-	3.1	-
*	F.P.	8.82	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§3	F.P.	4.61	3¾	3½	†Fairplace Cnstg	3¾		-	-	-	-
§-	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	238.3	202	162½	Galen Hldgs	195½	+1½	L0.9	5.7	0.6	31.7
§125	F.P.	5.81	135	99	†Helicon Publsg	99		-	-	-	-
§	F.P.	564.5	396½	368½	Ionica	376½	+5½	-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Leis	175½		LW2.0	6.0	1.4	14.6
*	F.P.	-	79½	76½	†LEPCO	78½		-	-	-	-
§90	F.P.	4.21	98	93	†Landround	94½		3.3	1.7	4.4	16.8
§173	F.P.	44.1	217½	185½	Metroline	205	-1½	R6.8	2.8	3.5	12.3
100	F.P.	32.7	112½	99½	Resbourne Martin	108½	+½	-	-	-	-
§100	F.P.	7.77	120½	105½	†SBS Group	109½		L2.4	2.0	2.7	19.3
-	F.P.	-	38½	34½	Severn Trent B	34½		-	-	-	-
-	F.P.	-	53½	42½	†Stentor Warrants	59½	+3½	-	-	-	-
	F.P.	-	22¾	19½	Thorn 9	20½		-	-	-	-
-	F.P.	79.3	68½	60	Viglen Tech	65		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 18	% chg on day	Aug 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1439.15	-0.6	1448.29	1981.71	2.20	-	2061.06	1270.14
■ Regional Indices								
Africa (14)	1433.72	-0.5	1441.09	2563.41	5.36	23.72	2695.69	1324.06
Australasia (6)	1552.45	-1.5	1575.87	2380.44	3.39	17.95	2455.10	1339.10
North America (11)	1440.99	-0.3	1445.75	1782.99	0.97	73.19	1854.46	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 19	Day's chge%	Aug 18	Aug 15	Aug 14	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4914.2	+1.8	4835.0	4865.8	4991.3	3883.2	3.36	2.02	18.37	115.28	2106.83
FTSE 250	4680.8	+0.4	4664.0	4696.2	4689.9	4385.3	3.58	1.59	22.20	100.49	1961.50
FTSE 250 ex IT	4690.4	+0.4	4673.1	4704.1	4690.1	4419.0	3.68	1.62	20.97	103.85	1971.48
FTSE 350	2373.1	+1.4	2340.6	2355.9	2404.1	1941.8	3.40	1.94	19.00	54.78	2079.24
FTSE 350 ex IT	2373.8	+1.4	2340.7	2355.7	2404.4	-	3.42	1.95	18.78	22.76	1096.69
FTSE 350 Higher Yield	2268.8	+1.0	2247.3	2255.3	2286.4	1858.3	4.62	1.75	15.43	66.61	1687.85
FTSE 350 Lower Yield	2478.3	+1.7	2435.9	2457.8	2521.1	2032.2	2.42	2.22	23.35	42.86	1773.95
FTSE SmallCap	2239.74	+0.5	2228.63	2243.41	2242.85	2144.72	3.21	1.74	22.40	44.19	1907.80
FTSE SmallCap ex IT	2206.54	+0.5	2194.61	2204.73	2201.28	2136.68	3.48	1.62	19.74	47.50	1896.11
FTSE All-Share	2317.83	+1.3	2287.40	2302.40	2346.32	1917.75	3.39	1.92	19.19	52.99	2060.80
FTSE All-Share ex IT	2318.50	+1.4	2287.30	2301.68	2346.49	-	3.42	1.94	18.81	22.12	1060.38

■ **FTSE Actuaries Industry Sectors**

	Aug 19	Day's chge%	Aug 19	Aug 15	Aug 14	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4800.46	+2.3	4694.72	4717.36	4875.77	3685.08	3.21	1.94	20.08	98.75	2154.59
12 Extractive Industries(5)	4196.97	-1.4	4257.81	4339.15	4385.27	4294.94	3.75	2.38	13.99	104.80	1282.88
15 Oil, Integrated(3)	5084.54	+2.9	4942.29	4951.63	5144.34	3780.11	3.32	1.86	20.22	107.40	2347.63
16 Oil Exploration & Prod(12)	3768.60	+1.0	3730.99	3763.69	3824.50	2816.57	1.52	2.25	36.53	38.65	2309.32
20 GEN INDUSTRIALS(263)	2056.58	+0.4	2049.28	2062.91	2074.72	2032.12	3.87	1.76	18.34	49.06	1179.56
21 Building & Construction(35)	1394.34	+0.4	1389.23	1393.11	1390.63	1160.94	3.20	1.98	19.76	26.45	1214.10
22 Building Matls & Merchs(30)	1881.33	+1.1	1861.12	1875.41	1899.53	1911.03	4.29	1.74	16.81	42.64	994.79
23 Chemicals(26)	2682.27	+0.7	2662.77	2709.02	2750.91	2392.84	3.80	1.63	20.21	71.65	1341.57
24 Diversified Industrials(15)	1476.81	+1.3	1457.58	1447.58	1439.08	1537.89	4.93	2.01	12.59	46.48	881.49
25 Electronic & Elect Equip(37)	2142.89	+0.3	2136.98	2160.19	2174.66	2376.23	3.83	1.63	20.00	48.75	1165.14
26 Engineering(66)	2749.33	-0.2	2754.89	2771.68	2796.09	2464.68	3.06	2.33	17.53	52.34	1735.81
27 Engineering, Vehicles(13)	3118.41	-1.4	3162.17	3193.88	3206.63	3096.95	3.25	‡	‡	65.84	1684.73
28 Paper, Pckg & Printing(27)	2167.74	+0.4	2159.81	2170.63	2139.09	2707.85	4.87	1.76	14.39	63.44	950.19
29 Textiles & Apparel(14)	1026.17	-0.8	1032.19	1038.71	1040.06	1264.74	6.82	0.98	18.56	41.67	675.30
30 CONSUMER GOODS(84)	4543.36	+1.8	4473.70	4482.51	4589.21	3634.32	3.37	1.83	20.29	114.41	1764.56
32 Alcoholic Beverages(7)	3317.49	+0.3	3307.76	3322.88	3342.89	2869.53	3.80	1.99	16.56	90.96	1256.70
33 Food Producers(25)	3074.79	+1.1	3042.54	3056.32	3150.83	2539.04	3.58	1.86	18.71	69.99	1457.90
34 Household Goods(17)	3134.19	+1.5	3088.90	3112.89	3144.06	2601.03	3.25	2.32	16.61	54.26	1268.73
36 Health Care(14)	2286.68	+0.7	2271.30	2278.77	2287.73	2004.86	2.60	1.81	29.82	36.49	1436.29
37 Pharmaceuticals(18)	7258.14	+2.5	7080.58	7073.44	7269.68	5406.51	2.57	1.73	28.19	153.36	2564.32
38 Tobacco(3)	4311.35	+0.1	4307.25	4331.99	4397.03	3862.72	6.53	1.81	10.59	225.73	1168.82
40 SERVICES(270)	2729.74	+1.0	2703.28	2711.14	2742.68	2576.85	2.95	1.97	21.53	51.46	1475.91
41 Distributors(30)	2863.71	+0.1	2859.77	2884.15	2859.03	2796.95	3.28	1.95	19.55	54.79	1098.66
42 Leisure & Hotels(31)	3196.02	+0.2	3191.04	3177.55	3198.31	3206.13	2.91	1.92	22.40	70.15	1775.92
43 Media(41)	4082.80	+1.3	4031.70	4035.24	4135.01	4326.31	2.47	1.94	26.10	75.55	1522.52
44 Retailers, Food(15)	2414.18	+1.1	2387.30	2421.78	2448.06	2088.92	3.44	2.26	16.11	47.61	1606.45
45 Retailers, General(53)	2239.71	+1.5	2206.37	2206.72	2231.18	2155.94	3.18	2.03	19.46	44.81	1338.69
47 Breweries, Pubs & Rest.(22)	3400.82	+0.2	3393.68	3374.86	3380.60	3159.61	3.33	2.29	16.40	62.74	1700.95
48 Support Services(55)	3063.42	+0.4	3049.70	3075.83	3107.91	2467.51	1.69	2.47	29.98	28.79	1997.77
49 Transport(23)	2867.76	+1.1	2836.05	2853.75	2880.13	2422.30	3.50	1.23	29.01	81.92	1253.04
60 UTILITIES(31)	3013.56	+0.3	3004.81	3003.76	3042.87	2323.38	4.76	1.45	18.08	76.08	1403.27
62 Electricity(9)	3323.43	+0.5	3305.39	3300.07	3306.59	2412.05	5.34	2.01	11.68	111.29	1868.38
64 Gas Distribution(2)	2314.75	+0.7	2299.62	2306.35	2361.86	1327.00	5.27	‡	‡	54.50	1310.62
66 Telecommunications(8)	2318.12	+0.2	2310.43	2312.87	2359.65	1975.48	3.99	1.55	20.22	44.69	1114.42
68 Water(12)	2864.64	-0.3	2873.38	2859.22	2859.68	2217.59	5.79	2.27	9.52	90.96	1715.49
69 NON-FINANCIALS(668)	2321.85	+1.1	2297.19	2304.62	2342.73	2021.08	3.51	1.79	19.86	51.65	1852.68
70 FINANCIALS(104)	4631.38	+2.3	4528.87	4600.17	4731.10	3112.28	3.15	2.45	16.19	119.82	2104.85
71 Banks, Retail(10)	7211.08	+3.0	7000.66	7135.60	7405.45	4459.15	2.90	2.57	16.79	183.00	2496.66
73 Insurance(16)	1840.74	+0.8	1826.92	1846.73	1859.11	1476.18	4.71	2.89	9.17	73.86	1466.76
74 Life Assurance(7)	4893.20	+0.8	4852.89	4910.91	4973.00	3424.94	3.51	2.32	15.34	121.00	2137.36
77 Other Financial(28)	3342.58	+1.1	3305.89	3323.86	3354.90	2608.46	3.16	1.99	19.91	70.81	1997.45
79 Property(43)	1993.36	+0.2	1989.89	1999.19	2009.53	1632.83	3.28	1.32	28.77	35.42	1282.86
80 INVESTMENT TRUSTS(127)	3504.76	+0.3	3493.59	3545.03	3571.01	3174.04	2.17	1.17	49.46	46.05	1258.61
89 FTSE All-Share(899)	2317.83	+1.3	2287.40	2302.40	2346.32	1917.75	3.39	1.92	16.19	52.99	2060.80
105 FTSE All-Share ex IT(772)	2318.50	+1.4	2287.30	2301.68	2346.49	-	3.42	1.94	18.81	22.12	1060.38
FTSE Fledgling	1247.48	+0.3	1244.27	1252.13	1253.05	1285.57	3.26	0.93	40.98	25.51	1353.75
FTSE Fledgling ex IT	1246.24	+0.3	1242.41	1248.11	1248.86	1248.63	3.64	0.99	36.95	26.01	1354.79
FTSE AIM	1023.8	+0.3	1020.5	1025.2	1025.7	-	1.04	0.89	80.00†	4.80	939.32

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4875.3	4887.3	4898.5	4903.2	4887.8	4893.9	4886.8	4891.3	4916.8	4918.0	4875.3
FTSE 250	4673.5	4676.0	4680.1	4682.7	4679.3	4678.7	4678.5	4677.5	4680.1	4683.0	4673.5
FTSE 350	2357.2	2362.4	2366.9	2369.0	2362.7	2365.0	2361.8	2363.9	2374.1	2374.5	2357.2
FTSE SmallCap	2230.25	2232.53	2234.55	2236.15	2237.19	2237.87	2238.27	2238.72	2239.39	2239.74	2230.25
FTSE All-Share	2302.70	2307.54	2311.82	2313.86	2308.15	2310.30	2307.43	2309.33	2318.68	2319.12	2302.70

Time of FTSE 100 Day's high: 4:13 PM Day's low: 8:30 AM. FTSE 100 1997 High: 4914.2 (19/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 4.13 PM Day's low: 8:30 AM. FTSE All-Share 1997 High: 2317.80 (19/08/97) Low: 1989.76 (02/01/97)

Further information is available on http://www.ftse.com
 "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence.
† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. Deletion: British Building & Eng Appliances (FTSE Fledgling); Eve Group (FTSE AIM) (Effective 18/8/97); Change of Name: Barr Wallace Arnold Trust now Trust Motor Group (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	410	487½	+4
AMVESCAP	432	365	+7½
ASDA Group†	4,800	140	+½
Abbey National†	5,100	814½	+19½
Alnouns	164	1165	-10
Albert Fisher	4,600	39¾	+¼
Alliance & Leicester†	1,400	616	-1
Allied Domecq†	2,800	479½	+11
Anglian Water	247	787½	-5
Argos	393	628½	+7
Arjo Wiggins	1,300	198½	
Assoc. Brit. Foods†	434	505	+11
Assoc. Brit. Ports	829	279½	+5
BAA†	1,000	575	+3½
BAT Inds.†	2,500	510	-3½
BBA	2,800	386½	-3
BICC	255	168½	
BOC†	605	1113	+18
BG†	4,400	254	+1½
BP†	5,200	859	+21½
BPB	486	350	+4½
BSkyB†	858	438	-4
BT†	19,800	379½	-2
BTR†	21,200	227½	+6½
Bank of Scotland†	1,900	424½	+15
Barclays†	4,300	1393½	+11
Bass†	1,000	898	-1
Blue Circle†	2,100	428½	+6½
Booker	64	315½	-1
Boots†	779	802½	+11
Britannic	190	830½	-5
Brit. Aerospace†	1,300	1446	-3
British Airways†	4,000	624	+11½
British Biotech	1,300	187½	+5
British Energy	3,400	158	-½
British Land†	1,000	592½	+½
British Steel†	14,900	177½	+2¼
Burmah Castrol†	527	1068	+6½
Burton	2,000	128½	+1¼
Cable & Wire†	3,200	566½	+8
Cadbury Schweppes†	2,700	597½	-4½
Caradon	3,300	217	-3
Carlton Comms.†	1,800	501	+11½
Centrica†	5,000	80	+¼
Coats Viyella	853	119½	-3
Comm. Union†	827	730	+7½
Compass	1,800	627½	-3
Cookson	8,400	261½	-½
Courtaulds	971	337½	+½
Dalgety	643	287½	
De La Rue	327	400	+4
Dixons†	4,800	621½	+12
EMAP	381	832½	+1½
EMI†	2,000	558½	+5
Electrocomps	620	490	
Energy Group†	1,300	628½	+1
Enterprise Oil†	948	692½	+7½
FKI	2,400	197	+2
Foreign & Col. I.T.	881	175¾	
Gen. Accident†	339	930½	+12½
General Elect.†	4,200	378	+½
Glaxo Wellcome†	5,000	1231½	+36
Glynwed	1,200	248½	
Granada†	1,100	802½	+3½
Grand Met.†	3,300	595½	-1½
GUS†	2,100	643	+8½
Greenalls	621	489	-1
GRE†	1,300	285	+2
GKN†	334	1287½	-26
Guinness†	1,400	577½	
HSBC (75p shs)†	3,400	2176½	+79½
Halifax†	5,000	731½	+12
Hammerson	79	474½	+2
Hanson†	2,200	300	-5
Harrisons Crosfield	1,400	112	+½
Hays†	718	590	+2½
Hillsdown	892	163½	
Hyder	225	838½	-6½
IMI	192	371	-3½
ICI†	1,800	1012	+13
Imperial Tobacco†	232	397	+2
Inchcape	864	286½	
Johnson Matthey	869	626½	-2
Kingfisher†	1,300	734½	+17½
Ladbroke†	2,900	251½	-2
Land Securities†	1,200	927	+1½
Laporte	404	702½	
Legal & General†	1,400	444½	+½
Lloyds TSB†	7,600	740	+32
LASMO†	1,300	270	+2
Lonrho	839	123	+5
LucasVarity†	6,000	200	-2½
MEPC	666	476½	-½
MFI	320	159	+4
Marks & Spencer†	2,900	594½	+9½
Mercury Asset Mgmt†	248	1357½	+19
Morrison (Wm.)	11,300	180	+½
NFC	303	135	+2
NatWest Bank†	3,000	784½	+12½
National Grid†	7,400	262½	+3½
National Power†	3,000	516½	-2
Next†	780	764½	-29
Northern Foods	910	225	-1½
Norwich Union	7,900	383	+8
Orange†	305	219	+½
[illegible]	[illegible]	[illegible]	[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 19 / Sch)

BELGIUM/LUXEMBOURG (Aug 19 / Frs.)

CZECH REP (Aug 19 / Koruna)

DENMARK (Aug 19 / Kr)

FINLAND (Aug 19 / Mkα)

FRANCE (Aug 19 / Frs.)

GERMANY (Aug 19 / Dm.)

GREECE (Aug 19 / Drachma)

ITALY (Aug 19 / Lire)

NETHERLANDS (Aug 19 / Fls.)

NORWAY (Aug 19 / Kroner)

POLAND (Aug 19 / Zloty)

PORTUGAL (Aug 19 / Escudo)

SPAIN (Aug 19 / Pta.)

SWEDEN (Aug 19 / Kronor)

SWITZERLAND (Aug 19 / Frs.)

TURKEY (Aug 19 / Tk Lira)

PACIFIC

JAPAN (Aug 19 / Yen)

HONG KONG (Aug 19 / H.K.$)

INDONESIA (Aug 19 / Rupiah)

MALAYSIA (Aug 19 / MYR)

NEW ZEALAND (Aug 19 / NZ $)

SINGAPORE (Aug 19 / S$)

AUSTRALIA (Aug 19 / Aust$)

SOUTH KOREA (Aug 19 / Won)

TAIWAN (Aug 19 / TW $)

THAILAND (Aug 19 / Baht)

NORTH AMERICA

CANADA

TORONTO (Aug 19 / Can $) 3:30 pm

MONTREAL (Aug 19 / Can $) 3:30 pm

AFRICA

SOUTH AFRICA (Aug 19 / Rand)

INDICES

	Aug 19	Aug 18	Aug 15	1997 High	1997 Low
Argentina					
General(29/12/77)	(u)	(c)	24442.71	24617.88 6/8	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2620.9	2618.5	2686.2	2746.80 2/7	2362.20 1/4
All Mining(1/1/80)	814.8	821.2	838.0	987.10 24/2	814.80 19/8
Austria					
Credit Aktien(30/12/84)	451.74	437.58	(c)	468.82 1/8	374.40 9/1
Traded Index(2/1/91)	1388.56	1349.78	(c)	1490.48 31/7	1138.22 2/1
Belgium					
BEL20(1/1/91)	2398.71	2370.28	(c)	2821.80 28/7	1871.05 2/1
Brazil					
Bovespa(29/12/83)	(u)	11338.0	11335.0	13617.00 8/7	8995.80 2/1
Canada					
Metals Mins♦(1975)	(u)	5186.23	5198.05	5891.75 10/3	4646.96 11/4
Composite♦(1975)	(u)	6865.30	6895.10	6945.10 7/8	5879.30 14/4
Portfolio§§(4/1/83)	(u)	3329.78	3331.72	3504.53 7/8	2848.02 11/4
Chile					
IGPA Gen♥(31/12/80)	(u)	5583.24	(c)	5986.71 4/7	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	624.98	621.18	627.27	638.28 17/7	478.14 2/1
Finland					
HEX General(28/12/90)	3491.8	3451.30	3510.90	3685.86 7/8	2483.28 2/1
France					
SBF 250(31/12/90)	1922.55	1886.47	(c)	2003.43 31/7	1538.19 2/1
CAC 40(31/12/87)	2938.18	2870.13	(c)	3075.87 31/7	2258.97 2/1
Germany					
FAZ Aktien(31/12/58)	1401.50	1357.60	1400.93	1481.44 31/7	988.21 2/1
Commerzbank(1/12/53)	4085.7	3966.60	4086.30	4336.70 31/7	2875.90 2/1
DAX(30/12/87)	4168.82	4078.60	4152.86	4438.93 31/7	2848.77 2/1
Greece					
Athens SE(31/12/80)	1613.02	1622.90	(c)	1727.78 23/6	954.54 2/1
Hong Kong					
Hang Seng(31/7/64)	15477.28	(c)	16096.88	16673.27 7/8	12055.17 3/4
India					
BSE Sens.(1979)	4165.37	(c)	(c)	4548.02 5/8	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	590.53	599.64	617.71	740.83 8/7	590.53 19/8
Ireland					
ISEQ Overall(4/1/88)	3643.66	3614.64	3655.97	3725.98 6/8	2726.07 2/1
Italy					
Banca Comm Ital(1972)	893.07	863.22	(c)	958.18 23/7	642.55 2/1
MIB General(2/1/97)	1343.0	1328.0	(c)	1442.00 23/7	991.00 2/1
Japan					
Nikkei 225(16/5/49)	18961.00	19041.10	19326.03	20681.87 18/6	17303.65 10/1
Nikkei 300(1/10/82)	289.92	291.82	294.15	303.71 28/7	261.04 27/1
Topix(4/1/68)	1483.00	1490.29	1501.69	1580.28 20/6	1320.82 10/4
2nd Section(4/1/68)	1662.02	1663.08	1680.12	1848.25 30/6	1514.50 15/4
Malaysia					
KLSE Comp.(4/4/86)	885.31	880.45	910.18	1271.57 25/2	880.45 18/8
Mexico					
IPC(Nov 1978)	(u)	4962.86	4955.61	5212.89 6/8	3358.46 2/1
Netherland					
CBS TRtnGen(End 83)	1118.1	1079.1	1054.9	1184.80 7/8	730.80 2/1
CBS All Shr(End 83)	644.7	623.2	608.4	684.40 7/8	428.00 2/1
New Zealand					
Cap. 40(1/7/86)	2493.88	2470.82	2495.63	2575.52 30/7	2207.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	2119.81	2100.28	2135.98	2217.38 7/8	1630.83 2/1
Philippines					
Manila Comp(2/1/85)	(c)	2368.67	2448.93	3447.60 3/2	2368.67 18/8
Portugal					
BVL 30(4/1/93)	3334.17	3511.76	(c)	3608.95 7/8	2165.57 2/1
Singapore					
SES All-S'pore(2/4/75)	480.83	482.79	495.53	573.03 17/2	479.84 13/8
South Africa					
JSE Gold(28/9/78)	1017.8♥	1016.7	1022.2	1588.10 27/2	903.80 7/7
JSE Ind.(28/9/78)	9086.4♥	9049.0	9120.9	9314.20 7/8	7869.50 2/1
South Korea					
KoreaCompEx**(4/1/80)	741.29	747.29	(c)	792.29 17/6	611.06 7/1
Spain					
Madrid SE(30/12/85)	585.98	576.02	(c)	628.15 7/7	434.54 2/1
Sweden					
AffarsvaldsGen(1/2/37)	3220.9	3171.7	3191.4	3316.80 7/8	2378.50 2/1
Switzerland					
SMI Index(1/7/88)	5580.1	5405.6	5498.5	6812.60 8/7	3822.90 7/1
SPI General(1/6/87)	3584.95	3492.01	3547.12	3768.78 8/7	2505.22 6/1
Taiwan					
WeightedPr.**(30/6/66)	9712.45	(c)	9770.80	10066.35 31/7	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	590.44	604.34	623.25	858.97 22/1	484.77 19/6
Turkey					
IMKB Nat 100(1986)	1940.00	1952.00	2004.00	2050.00 7/8	985.80 2/1
WORLD					
MS Capital Intl(1/1/70)	943.0*	939.4	940.3	981.80 31/7	794.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2633.70	2576.75	2636.97	2704.89 7/8	1883.80 2/1
FTSE E 100(26/6/90)	2236.91	2184.31	2203.93	2255.85 7/8	1582.99 2/1
HSBC JC Dragon(31/12/88)	(u)	408.88	412.91	494.83 6/8	381.63 29/4
ING Barings Emerg(7/1/92)	(u)	181.80†	185.58	195.81 9/7	158.74 3/1

INDEX FUTURES

CAC-40 (MATIF/MONEP) (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2910.0	2943.0	+72.0	2945.0	2885.0	14,083	26,850
Sep	2921.0	2960.5	+71.5	2951.0	2913.0	1,806	23,624

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	4125.0	4200.0	+113.5	4200.0	4121.0	21,137	93,240
Dec	4150.5	4233.5	+112.0	4232.0	4159.5	139	3,426

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2570.00	2596.75	+60.75	2596.00	2570.00	11,858	13,070
Sep	2584.50	2607.75	+60.00	2607.75	2579.50	7,061	8,516

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	5459.8	5599.0	+199.0	5594.5	5454.0	65,353	22,079

** Sat Aug 16: Taiwan Weighted Price 9708.57; Korea Comp Ex 748.41. Base values of all indices are 100 except Australia All Ords and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins. DAX – all 1,000; SMI – 1500; JSE Gold – 255.7; JSE 80 Ind – 264.3; IMKB Nat 100 – 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 13 – 4190.45 +108.90

† Correction. * Calculated at 15.00 GMT. ■ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Aug 18	Aug 15	Aug 14	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7803.36	7694.66	7942.03	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.13	104.24	104.13	104.70 (31/7)	161.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2873.86	2864.96	2885.53	3008.25 (6/8)	2222.07 (2/1)	3008.25 (6/8/97)	13.23 (8/7/32)
Utilities	230.37	228.51	231.41	240.85 (22/1)	209.47 (25/4)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7847.49 (7919.28) Low 7588.26 (7685.13) (Theoretical♦)
Day's high 7803.36 (7937.38) Low 7618.47 (7694.06) (Actual♦)

Standard and Poors	Aug 18	Aug 15	Aug 14	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	912.49	900.81	924.77	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials♥	1072.62	1058.41	1088.11	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	105.23	104.08	106.45	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	473.55	469.10	479.66	497.00 (6/8)	389.47 (11/4)	497.05 (6/8/97)	4.64 (25/4/42)
Amex Comp.	634.59	635.51	640.39	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1569.52	1562.03	1586.69	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 15	Aug 8	Aug 1	Year ago
Dow Jones Ind. Div. Yield	1.69	1.61	1.58	2.22
	Aug 13	Aug 6	Jul 30	Year ago
S & P Ind. Div. yield	1.53	1.47	1.45	2.04
S & P Ind. P/E ratio	25.27	26.35	26.05	22.04

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Monterey	7,972,900	20⅝	+5¼
GEC	7,786,100	65⅞	+3⅛
Hewlett-Pkd	7,768,200	63⅞	-2⅛
Pfizer	7,191,800	52⅛	-⅛
Ph Morris	6,513,700	44⅝	-¼
Coca Cola	6,377,600	60⅝	+1½
Compaq	5,750,400	58⅛	+⅞
Pepsico	5,503,300	36⅛	+⅛
Gillette	5,318,800	83	-2⅝
Micron Tech	5,173,800	44⅞	+1⅞

■ TRADING ACTIVITY

● Volume (million)

	Aug 18	Aug 15	Aug 14
New York SE	517.159	538.550	528.726
Amex	20.310	21.114	22.174
NASDAQ	554.615	549.453	588.587
NYSE			
Issues Traded	3,399	3,363	3,380
Rises	1,393	715	1,523
Falls	1,473	2,126	1,281
Unchanged	533	522	596
New Highs	65	69	104
New Lows	34	23	17

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	918.75	918.85	+0.10	919.45	915.10	77,054	188,437
Dec	–	928.75	+0.20	–	–	2,201	10,462

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	19240.0	18930.0	–70.0	19250.0	18790.0	20,354	176,742
Dec	19200.0	18810.0	–70.0	19220.0	18800.0	604	15,487

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 19, 1997

	Stocks Traded	Closing Prices	Change on day
Fujita Corp	6.4m	114	+8
Sakura Bank	6.9m	743	+3
Hitachi	6.0m	1210	-20
Nippon Steel Cp	5.0m	309	-9
Daiwa Bank	4.5m	631	+18
Fujitsu	4.5m	1630	-40
LTCB	4.3m	596	+19
Shiseido	3.9m	2220	+100
Ricoh Co	3.7m	1840	+30
Toko	3.4m	1010	

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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3.30 pm August 19

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
33 7/16	24 1/8	AAR x	0.48	1.4	28	693	34 9/16	34 1/16	34 3/8	+1/8
53 3/4	33 1/2	AMP x	1.04	2.0	42	11728	51 1/4	49 3/8	50 7/8	+1 3/8
110 7/16	78 1/4	AMR			0	3442	105 1/4	103 1/4	104 5/8	+1 3/16
37 5/8	29 1/2	ASA x	1.20	4.0	19	146	30 1/4	30 1/8	30 1/8	+1/16
58 13/16	49 3/4	AbbtL	1.08	1.8	24	13077	62 3/4	61 5/8	61 1/2	-13/16
20 1/2	14 1/8	AbtMa	0.40	2.1	9	352	18 15/16	18 9/16	18 3/4	-1/4
25	17 3/8	ABM Ind	0.40	1.6	22	99	24 5/8	24 1/16	24 1/2	
24 1/8	17 3/4	Acapulcoin			11	85	22 1/4	21 13/16	22	
67 1/4	56 1/2	ACE Ltd	0.98	1.1	11	1185	93 3/4	91	93 3/4	+2 3/4
10 7/8	10	ACM Gvt In x	0.90	8.6	11	219	10 1/4	10 3/8	10 7/16	+1/16
8	7	ACM GvOpp x	0.63	8.1		172	7 3/8	7 3/8	7 3/4	+1/16
10 5/16	9 3/4	ACM Man 4	0.90	9.2		214	9 15/16	9 13/16	9 13/16	-1/4
10 1/2	6 1/8	Acme Elect				37	6 5/8	6 7/16	6 3/8	-1/16
20	13	Acme Mills				37	14 5/8	14 1/4	14 1/4	-1/8
22 13/16	14	ACNielsen			39	343	22 1/4	21 7/16	21 7/8	+1/16
29 3/4	18 1/8	Acuson				1196	26 1/16	25 1/4	25 3/4	+3/8
24 3/8	19 3/8	Adams Exp x	0.55	2.3	1	388	23 15/16	23 11/16	23 3/4	+1/16
48 1/8	24 7/8	AdvMic				36579	42 3/4	40 5/8	41 1/8	-1/8
27 1/8	10 3/8	Advest Grp	0.12	0.5	17	482	23 3/4	22 13/16	23 3/16	+1/16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE PRICES

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
6 7/8	4	Zapata	0.28	4.9	47	303	5 13/16	5 11/16	5 11/16	-1/16
13 1/8	9 1/8	ZenithEl				1557	11 1/8	10 5/8	10 7/8	+1/16
28 3/8	24 5/8	Zenith Nat	1.00	3.7	19	160	27 1/4	20 3/8	22 1/8	+5/8
8 1/16	7 1/8	Zenix Inc	0.73	9.1		119	u8 1/16	7 15/16	8 1/16	+1/16
28 3/4	17 3/4	Zero x	0.12	0.4	20	48	27 1/2	27 1/4	27 7/16	+7/16
12 7/8	10 3/4	ZweigFd	1.20	9.7		98	12 7/16	12 1/4	12 7/16	+1/16
9 1/16	8	Zweig Tot x	0.84	9.4		378	9	8 15/16	8 15/16	-1/16

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. *Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.* Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. x Dealings suspended.

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AMEX PRICES

3:15 pm August 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NY TmA	0.64	20	3801	47 3/4	46 1/8	47 3/8	+1 1/4
NVR		9	18	19 1/2	19 3/8	19 1/2	+1/8
Pegasus 9		48	711	4 15/16	4 13/16	4 7/8	
Perini		3	62	7 1/2	7 5/8	7 5/8	
PMC	1.28	11	60	14 1/4	14 1/16	14 1/16	-3/16
RaganBrad			z0	27 3/4	27 3/4	22 3/4	
SJW Corp c	2.28	24	z180	55 1/4	55 1/4	55 1/4	-1/4
Tab Prods	0.20	15	191	u12 1/4	11 5/8	11 7/8	+1/4
Tel&Data	0.42	62	z0	37 7/8	37 7/8	37 7/8	-5/8
Thermedes		19	409	18 5/16	16 1/8	16 7/16	
Thermoline		20	256	37	36 1/8	36 13/16	+13/16
TotPNA x	0.30	141	293	10	9 7/8	9 15/16	-1/16
TownCntry		0	1436	7/16	3/8	3/8	-1/32
Tubos Mex			2836	18 11/16	18	18 1/16	+1/16
UtdFoodsA		31	z0	2 1/2	2 1/2	2 1/2	

NASDAQ NATIONAL MARKET

3:30 pm August 19

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Lafone	0.72	44	15	17	16 1/2	16 1/2	
Ladd Furn		21	22	16	15 5/8	15 5/8	-5/8
Lam Rsch			23598	57 7/8	55 3/8	57 1/2	+1 1/2
Lancaster	0.72	17	1628	50	49 1/4	49 3/4	+1/4
Lance ♣	0.96	24	304	21 3/4	21 3/8	21 3/4	+3/8

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Quantum			1934392	36 1/8	35	35 5/8	+7/8
Quicksilv		19	2275	32 1/8	31 1/8	32	+7/8
Quintiles		199	5773	u80 1/8	77	79 5/8	+2 3/8

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow ♣		14	34	18 5/8	18 1/2	18 1/2	-1/8
Rallys			378	2 1/8	2	2 1/8	
Raymond	0.25	16	z0	32 7/8	32 7/8	32 7/8	
RCSB Fin	0.60	17	745	48 1/2	46 7/8	47 7/16	+7/8
Read-Rite			2921809	29 1/8	20 15/16	28 3/8	+1 7/8
Recoton		19	902	13 3/8	12 3/4	13 1/8	+1/4

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WPP ADR	0.29	21	1067	u46 1/4	45 1/8	45 7/8	+1 1/8
Wyman-Gdn	0.40	33	648	26 1/2	25 7/8	20	-1/4

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx ♣			3812338	52 11/16	50 1/4	52 1/8	+1 15/16
Xircom		23	3520	14 1/8	13 15/16	14	
Xoma Corp			2789	8 3/4	8 1/2	8 11/16	+1/16
Yahoo			6937	56	52 1/2	54 3/8	+2 1/4
Yellow			1374	27 1/4	26 1/2	27 1/8	+1/4
York Rsch		19	51	6 1/8	5 15/16	6	-1/16
ZionsUtah	0.48	19	533	35 5/8	35	35 5/8	+1/16

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international operations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		0	8.25	2.875
Artwork Systems	US$8.75		6350	11.125	8.75
Chemunex	FFr10.5		0	18	10.5
Dobonair Holdings	GBP6.7		1180	7.15	4.5
Dr Solomon's ADS	US$24.5	-0.375	0	28.375	16.675
EDAP TMS	US$7.125		0	9.125	6.9375
Esprit Telecom ADS	US$6	-0.25	6000	12.25	5.375
Innogenetics	US$10.5	+0.5	192896	12.75	10
Lernout & Hauspie	US$27.875	+0.125	2445	34	25
Mercer Int'l	US$10.625		0	11.75	8.125
NTL	US$22	-0.25	0	25.125	21.625
Pv Tech	US$5.5		0	6.125	3.5
Schoeller-Bleckmann	Sch1418	+43	135200	1418	900
Topcall Int'l	Sch3180	-10	1200	3363	3065
Turbodyne Technol.	US$3.75		0	3.98	3.75

Prices for 19/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

FINANCIAL TIMES Wednesday August 20 1997

Tech groups at forefront of recovery

AMERICAS

US stocks continued to recover at midsession as technology companies and consumer product manufacturers made furtber recovery strides, *writes John Labate in New York.*

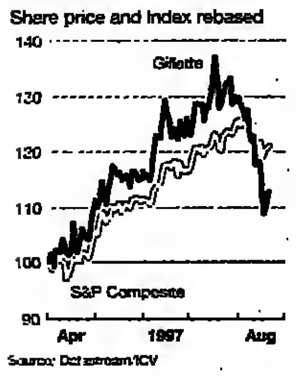
By midday the Dow Jones Industrial Average bad gained 62.02 or 0.8 per cent at 7,865.38 and tbe Standard & Poor's 500 index was 9.14 higher at 921.63.

But the sharpest increase came from the technology-heavy Nasdaq composite index, which advanced 20.19 or 1.29 per cent at 1,589.71.

By lunchtime yesterday the Dow had reclaimed some 70 per cent of Friday's severe 247-point sbakeout.

Gillette

Share price and index rebased



Source: Datastream/ICV

Helping the broader market higher was renewed buying in consumer product stocks, which were some of last Friday's greatest fallers. Among them, Gillette rose \$3½ or more than 4 per cent at \$86½ and Procter & Gamble up \$3⅞ at \$138⅞.

In spite of the higher market, analysts are still considering the impact of tbe firmer dollar on overseas business. "Big-cap multinationals are saying the value of the dollar is starting to hurt tbem," said Elizabetb Mackay, chief investment strategist et Bear, Stearns in New York.

The trade-weighted dollar is currently 99.72, near the top of its range for the last 10 years. This is seen as having e negetive impact on companies' currency translations and business ebroad. "The etrong dollar has an economic impact on a number of companies, harming volume or margins or both," said Thomas McManus, US investment strategist et Natwest Securities.

Technology-related companies moved sharply higher with the Pacific Stock Excbange index rising 6.73 or 2.1 per cent at 330.28. Software producer Oracle surged \$2¼ or more than 5 per cent et \$40¾ on an announcement of an agreement with Sun Microsystems. Chip manufacturer Texas Instruments also rose sharply, gaining \$5⅞ et \$124⅞.

TORONTO rallied strongly, building on the uptick achieved in late trading on Monday. News of e C\$2.9bn counterbid for London Insurance generated plenty of investor interest among financials.

At noon, the 300 composite index was up 73.39 et 6,727.70.

London Insurance surged C\$6.45 to C\$33.50 following a counterbid from Great-West Lifeco, which topped an earlier offer of C\$2.4bn for the company from Royal Bank of Canada. Great-West edded 45 cents to C\$33.45 and Royal Bank hardened 25 cents to C\$62.80. Toronto-Dominion Bank gained 60 cents to C\$41.35. Bombardier was dull ahead of a scbeduled second-quarter results statement, slipping C\$1.50 to C\$30.50.

Golds improved, Barrick gained 25 cents to C\$32.90 and Placer Dome added 20 cents at C\$24.55.

Mexico City steady

Latin American bourses were mixed at midsession with volumes mostly subdued and traders signalling few firm trends.

MEXICO CITY made steady upward progress, altbough volume was negligible. "Its a wafer thin day. There's very little business around", said one trader. Glassmaker Vitro gained 1.15 pesos to 36.15 pesos to turn in the morning'd strongest performance.

Leading conglomerate Carso put on 1.10 pesos to 58.70 pesos. At midsession, the IPC index was up 42.72 at 4,995.60.

SAO PAULO failed follow through from Monday's late wave of buying and at midsession tbe Bovespa index was off 163 or 1.4 per cent at 11,174. Dealers said the main institutions were mostly on hold until tbe immediate outlook for US interest rates became clearer.

SANTIAGO had an upside morning in light trading. The IPSA index was 131.86 at midsession, up 0.61.

Cautious S Africa edges up

Johannesburg tracked Wall Street higher in the absence of domestic factors to move the market.

The industrial index finished 37.4 up at 9,086.4, the all-share index added 35.9 to 7,397.2 and the gold index was up 0.9 to 1,017.6.

Trade was cantious ahead of the yesterday's atart of the US Federal Open Market Committee meeting and the possibility that Wall Street might respond negatively to tbe ontcome of tbe gathering.

Overall volumes, as on Monday, were moderate with R679.7m traded. Advancing issnes led decliners 231 to 143 with another 134 stocks traded hut finishing unchanged.

Compnter company IBM featured ahead of its interim resnlts after the clnse of trade. The share closed 92 cents up at 870 cents in volume of 115,200 shares. Electronics company Siltek'e shares soared after the release of robust results, adding 200 cents to R25.

Supportive Dow aids rebound in bourses

EUROPE

Slowing money supply growth and the better tone on Wall Street sent **FRANKFURT** strongly ahead. The Dax index advanced 109.90 to close at an Ibis-indicated 4,190.45, its best single session gain since July 23.

Wall Street's early strength was clearly supportive, but the main drive was said to come from a 5.7 per cent rise for July money supply, down from 6.4 per cent in June, which took the sting out of recent worries about an imminent rise for German interest rates.

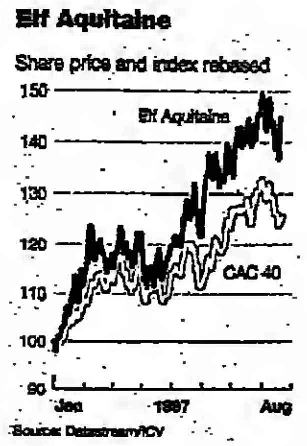
Bayer gained DM2.1 to DM72.60 in spite of interim results that were seen as mildly disappointing. Volkswagen continued to power forward, helped by news of the new Golf 4, which was unveiled to the press ahead of next month's Frankfurt motor show.

VW, a weak market recently on worries about domestic demand, gained DM93 or nearly 7 per cent to DM1,376. Brokers said the performance was impressive in the face of the slightly guarded analysts' response to Monday'e interim results.

Elsewhere among motors, BMW edded DM49.50 to DM1,350 and Daimler Benz DM6.65 to DM143.40. Porsche, which unveils its new 911 car next montb, rose DM215 to DM2,675 following reiterated huy advice from Lehman Brothers.

Elf Aquitaine

Share price and index rebased



Source: Datastream/ICV

Within a firm banking sector Commerzbank led the field, rising DM5.19 to DM69.20 on a resurgence of takeover talk. Dresdner gained DM3.06 to DM38.67.

PARIS ended within a whisker of its high for the eession with the CAC 40 index up 66.03 et 2,936.16. Volume eased back to 10.1m ehares traded.

Market heevweights Elf Aquitaine and Renault headed the day's performance charts with the former advancing FFr38 or 5.9 per cent to FFr685 on news of an important oil strike in Angola. Renault rose FFr7 to FFr164.

Selected retailers met with good demand. Carrefour, a rare upside feature on Monday, continued to gain ground, adding FFr145 to FFr4,074. Promodes rose FFr72 or 3.4 per cent to FFr2,207.

Canal Plus came off FFr8 to FFr1,030 on a mixture of negative news. This ranged from a ruling against the Paris St Germain football team, in which Canal has a big stake, to talk of shared sports rights for the group's CanalSatellite channel.

ZURICH took the view that its correction had lasted long enough and the SMI index advanced 3.3 per cent, halting the retreat that had pulled the market down by 8.7 per cent over the previous seven trading sessions. The index recovered 174.5 to 5,580.1.

Pharmaceuticals and chemicals companies were at the forefront of the upturn. The heavily traded Novartis rose SFr117 to SFr2,252 and Roche certificates advanced SFr285 at SFr13,600. Clariant rose SFr55 to SFr1,064 and Cibe jumped SFr8.25 to SFr138.

Among industrials, Oerlikon rose SFr9 to SGr168 on hopes thet Ernst Thomke, head of Bally, the shoes and fashion division, would not resign after e meeting with the board.

CS Group was a clear outperformer among financials. The shares, under pressure since last week's news of the planned merger with Winterthur Insurance, recouped SFr9 to SFr190 while Winterthur recovered SFr53 at SFr1,385.

ABB was SFr56 higher at SFr2,355 as the gronp reported a 19 per cent decline in first-half net profit but said that it was optimistic about the ontlook based on e 35 per cent increase in orders placed in the first six months of the year.

SAir Group jumped SFr45 to SFr1,925. Tomorrow, the group, which includes the Swissair airline, is expected to report profitable first-half operations for the first time this decade.

AMSTERDAM continued its rebound after last week's shakeout, as the market took heart from Wall Street's overnight rise. The AEX index added 29.97 or 3.3 per cent to 947.45, off its best level of 954.33.

Interest rate fears faded as the Bundesbank left the repo rete unchanged at this week's money market tender, and German money supply growth in July came in within the target range.

Financial shares continued to power ahead on expectations of robust half-year results from ABN Amro and Aegon. ABN, which reports tomorrow, notched np a rise of Fl 2.20 or 4.7 per cent to Fl 49.20. The bank topped the most active list with unusually high volume of almost 13m shares. Aegon, which reports on Friday, added Fl 6.30 or 4.4 per cent to Fl 151.

Entertainment group PolyGram was one of the day's best performers, chalking up a gain of Fl 6.40 or 5.8 per cent, to Fl 116.40. But Philips bucked the trend, losing Fl 1.40 to Fl 149.90.

STOCKHOLM ended higher in response to Wall Street's overnight rise. The general index added 52.37 to 3,183.18. Car safaty equipment maker Autoliv was the star performer, putting on Skr20 to Skr307.50 after Goldman Sachs put it on its recommended list with a target price of \$48 a share in three to six months.

HELSINKI rose as confidence returned to the market after Friday'e sell-off on Wall Street and as interest rate jitters receded. The Hex index closed up 40.50 at 3,491.80.

Nokia led the broad-based recovery, rising FM9.50 to FM454.50. Food and chemicals gronp Raisio gained FM14 to FM546, helped hy news that the US government had approved a licencing deal with a unit of Johnson & Johnson to market its margarine product that reduces cholesterol.

Written and edited by Michael Morgan, Jeffrey Brown and Greta Steyn

FTSE Actuaries Share Indices — European series

August 19 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	965.13	+2.14	+20.26	2.36	0.00	987.28
FTSE Eurotop 100	2236.91	+2.41	+52.60	-	-	-
FTSE Eurotop 300 Regions						
300 UK	857.71	+1.86	+15.74	3.39	0.00	873.48
300 Ex-UK	963.48	+2.42	+22.72	1.77	0.00	983.55
300 Eurobloc	966.56	+2.45	+23.12	1.94	0.00	986.67
300 Ex-Eurobloc	983.93	+1.91	+18.04	2.66	0.00	987.51
FTSE Eurotop 300 Economic Groups						
Resources	987.40	+3.58	+34.13	2.81	0.00	988.91
General Industries	990.91	+2.18	+21.14	1.99	0.00	991.54
Consumer Goods	935.09	+2.30	+20.98	1.99	0.00	937.21
Services	964.06	+1.74	+16.49	2.32	0.00	965.13
Utilities	932.82	+0.64	+5.95	3.39	0.00	937.48
Financials	972.36	+2.34	+22.26	2.37	0.00	975.37

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved. Markets closed 15/8/97: Austria, Belgium, France, Italy and Spain.

Hong Kong tumbles 3.9% on currency worries

ASIA PACIFIC

Renewed concerns about a speculative attack on the domestic currency rocked **HONG KONG** and the Hang Seng index tumbled 3.9 per cent, led down by interest rate-sensitive property and banking stocks as interbank rates jumped.

The index posted its largest points loss since March 11 last year, skidding 619.62 to close at 15,477.26, after tumbling to a day's low of 15,355.94.

Analysts said that while investors remained confident that the Hoog Kong dollar's peg to the US currency would remain intact, the surge in interest rates, and last Friday's beavy losses on Wall Street, had put pressure on investors as they returned after a long boliday weekend.

HSBC fell HK\$7.533 to HK\$262, trading ex-dividend, while Hang Seng Bank gave up HK\$3 to HK\$101.50. Cheung Kong registered a HK\$4.75 loss to HK\$87.25 and Sun Hung Kai Properties lost HK\$2 to HK\$94.25.

China's hard currency B sbares took their lead from Hong Kong. **SHENZHEN**'s B index slumped 11.84 or 7.5 per cent to 146.88 in turnover that shrank to HK\$310m while its counterpart index in **SHANGHAI** lost 4.057 or 4.6 per cent to 84.367.

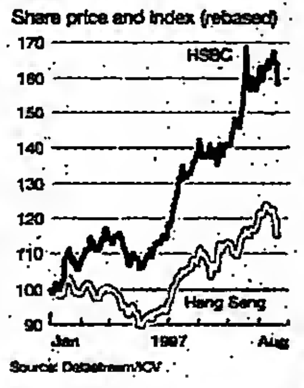
TOKYO continned downward to close below the 19,000 level for the first time in six trading days, although rising shares led fallers, *writes Gwen Robinson.*

The Nikkei 225 average fell 80.10 to 18,961.00 after moving between 18,803.13 and 19,246.02.

Blue chip exporters were heavily sold hy domestic institutions and foreign investors. Traders said the mood was hesitant ahead of the US Federal Reserve Board's open market committee meeting and uncertainty about the direction of the New York market.

HSBC

Share price and index (rebased)



Source: Datastream/ICV

Sentiment was expected to remain besitant following the collapse of another listed general contractor, Daito Kogyo. The news came after the market close. Construction-related stocks have been noticeably weak since last month's failure of two other general contractors.

Volume fell to an estimated 342m sbares from 360m shares. Advances led declines 566 to 482 with 199 unchanged. The Topix index of all first-section stocks fell 7.29 to 1,483.00 and tbe capital-weighted Nikkei 300 was down 1.90 at 289.92.

Blue-chip exporters mostly retreated. Sony fell Y500 to Y11,000. Advantest Y500 to Y11,300 and Tokyo Electron Y240 to Y7,410. TDK shed Y360 to Y9,840 and Canon Y140 to Y3,560. Car makers mostly retreated. Nissan fell Y27 to Y733, Toyota Y30 to Y3,300 and Honda Y100 to Y3,640.

Some domestic demand-driven stocks made rohust gains. Shiseido, Japan's leading cosmetics-maker, rose to a fresh high for the year, adding Y100 et Y2,220. Ibiden, an electronic equipment maker, gained Y10 to an all-time high of Y2,140. Japan Tobacco gained Y21,000 to Y996,000. Fuji Television Network, however, fell Y20,000 to Y700,000.

Financial issnes were mixed. Dai-Ichi Kangyo Bank gained Y30 to Y1,500 and Daiwe Bank Y18 to Y631, but Fuji Bank shed Y20 to Y1,570 and Sumitomo Bank Y40 to Y1,860.

General contractors benefited from bargain bunting with news of the latest failure in the sector.

Obayashi rose Y14 to Y729, Sbimizu Y11 to Y603 and Kajima Y12 to Y613. Fujita, the day's most active issue, gained Y8 to Y113.

Pbarmaceuticals also gained. Daiichi Pharmaceutical rose Y30 to Y2,160, Yamanouchi Pharmaceutical Y31 to Y1,220 and Fujisawa Pharmacentical Y30 to Y1,220.

In Osaka, the OSE everage rose 7.19 to 20,025.31 and volume swelled to 56.5m shares.

BANGKOK took another battering as the baht hit a record low against the dollar and political concerns intensified. The SET index ended 13.9 or 2.3 per cent lower at 590.44, off its morning low of 587.57.

The market last traded below 600 on July 2 when the embattled haht was floated. Tha currency hit a low of Bt32.60 to the dollar in line with pressure oo otber regional currencies. Brokers said political worries in tbe wake of Thailand's economic crisis bad been aggravated by signs of political equabbling.

Communications and finance shares were particularly hard hit. Bangkok Bank lost Bt2.00 to end the day at Bt158.00.

JAKARTA closed sharply lower after the central bank raised interest rates to protect the rupiah. The composite index closed down 1.5 per cent or 9.11 at 590.53 points.

It was a volatile day in which tbe market strayed into positive territory only to retreat rapidly after the central bank's move.

The index reached a high of 612.21 and a low of 585.58. Finance shares were hard hit by the rise in rates, with Bank Negara Indonesia shedding R75 to R1,175.

WELLINGTON closed firmer on bargain hunting and a good session for market heavyweight NZ Telecom, up strongly on tha back of solid first-quarter results. The 40 capital index gained 23.06 or 0.9 per cent to 2,493.88 in modest NZ\$62m turnover. Telecom ended 8 cents higher at NZ\$7.60.

BOMBAY returned from its four-day weekend to face a barrage of selling. The BSE index came off 156.35 or 3.6 per cent to 4,164.62 to extend its decline since the August 5 peak to 380 points.

KARACHI blue chips also met with sustained selling. The 100 index was 215.73 or 1.4 per cent lower at 1,823.81.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	MONDAY AUGUST 18 1997 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 15 1997 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (76)	228.00	-2.5	209.85	169.69	216.01	205.27	-1.8	3.75	233.95	215.43	173.11	221.18	209.10	243.87	200.17	200.87
Austria (25)	191.33	-2.4	176.10	142.40	181.27	181.18	-2.1	1.81	195.98	180.47	145.02	185.26	185.15	206.00	174.70	179.20
Belgium (28)	237.01	-2.2	218.14	176.38	224.54	220.04	-2.0	3.10	242.44	223.24	178.39	229.18	224.44	261.11	213.82	215.70
Brazil (30)	272.43	0.1	250.74	202.73	258.09	545.88	0.2	1.35	272.07	250.53	201.32	257.19	544.62	322.44	172.54	181.10
Canada (126)	213.17	-0.4	196.20	158.65	201.95	214.37	-0.4	1.68	213.98	197.04	158.33	202.27	215.31	224.03	160.81	160.81
Denmark (32)	382.33	-1.2	351.89	284.55	362.22	360.96	-1.0	1.41	387.17	356.52	286.49	366.00	364.87	421.25	315.95	315.95
Finland (26)	297.11	-1.8	273.46	221.13	281.48	340.26	-1.8	1.62	302.65	278.69	223.95	286.10	346.30	314.08	205.99	206.06
France (83)	221.78	-1.9	204.13	165.06	210.12	213.70	-1.7	2.47	226.18	208.28	167.37	213.81	217.39	237.57	167.30	167.30
Germany (59)	221.73	-2.2	204.08	165.02	210.06	210.06	-2.0	1.36	226.66	208.71	167.71	214.26	214.26	238.42	172.93	174.65
Hong Kong, China (66)	554.14	-0.3	510.02	412.42	524.98	550.72	-0.4	2.79	555.83	511.83	411.29	525.44	552.97	580.03	421.41	427.25
Indonesia (27)	166.14	-5.7	152.91	123.65	157.40	303.73	-2.3	2.14	176.16	162.21	130.35	166.53	310.97	254.90	166.14	184.49
Ireland (17)	371.26	-0.9	341.70	276.31	351.73	356.09	-1.3	2.74	374.48	344.84	277.10	354.00	360.92	376.16	264.36	267.78
Italy (53)	97.41	-2.5	89.65	72.49	92.28	129.52	-2.2	1.63	99.88	91.98	73.81	94.42	132.45	105.79	73.26	76.47
Japan (485)	131.13	-1.3	120.68	97.59	124.23	97.59	-0.8	0.81	132.92	122.39	98.35	125.65	98.35	149.58	107.57	147.59
Malaysia (107)	383.53	-3.4	353.00	285.44	363.35	419.22	-2.9	1.68	396.91	365.49	293.69	375.20	425.34	660.85	383.53	545.79
Mexico (27)	1767.67	-0.7	1626.94	1315.58	1674.67	15027.53	-0.6	1.49	1779.82	1638.81	1316.98	1682.49	15112.34	1864.38	1136.59	1292.43
Netherlands (19)	401.12	2.4	369.19	298.53	380.02	375.69	2.6	2.06	391.88	360.86	289.97	370.45	366.25	431.68	297.04	298.90
New Zealand (14)	88.03	-0.7	81.03	65.52	83.40	72.83	-0.9	4.01	88.81	81.80	65.57	83.77	73.26	96.47	82.14	82.14
Norway (41)	317.20	-1.8	291.95	236.08	300.51	326.89	-1.6	1.88	323.14	297.56	239.11	305.47	332.19	330.72	247.75	247.79
Philippines (22)	125.23	-3.9	115.26	93.20	118.64	167.70	-3.0	1.11	130.34	120.02	96.45	123.22	193.57	214.07	125.23	201.90
Singapore (42)	329.94	-0.1	303.67	245.58	312.58	230.58	-0.1	1.34	330.24	304.10	244.36	312.18	230.79	448.01	329.94	388.34
South Africa (44)	342.17	-0.6	314.93	254.66	324.17	350.24	-1.0	2.43	345.26	317.92	255.47	326.37	353.90	370.12	301.49	322.40
Spain (33)	240.34	-2.3	221.21	178.87	227.70	280.52	-2.2	2.37	245.99	226.51	182.02	232.54	286.93	276.05	173.01	176.89
Sweden (49)	488.53	-1.4	449.63	363.59	462.82	578.29	-0.8	1.78	495.32	456.10	366.51	468.23	583.04	512.39	352.11	354.50
Switzerland (33)	291.02	-2.2	267.85	216.59	275.71	272.49	-1.6	1.22	297.48	273.93	220.12	281.21	276.80	329.59	231.88	247.32
Thailand (42)	54.01	-5.5	49.71	40.20	51.17	67.18	-4.6	4.59	57.18	52.65	42.31	54.05	70.46	146.69	47.55	147.43
United Kingdom (213)	307.43	-0.6	282.96	228.81	291.26	282.96	-0.8	3.52	309.22	284.74	228.81	292.31	284.74	325.28	241.83	242.79
USA (637)	370.66	1.1	341.15	275.87	351.16	370.66	1.1	1.67	366.62	337.59	271.28	346.57	366.62	389.67	264.75	270.95
Americas (820)	338.79	1.0	311.82	252.14	320.98	285.39	1.0	1.88	335.43	308.87	248.20	317.08	282.56	356.35	242.47	247.72
Europe (713)	268.25	-1.2	246.89	199.64	254.13	258.90	-1.0	2.46	271.40	249.81	200.82	256.56	261.49	294.44	212.81	213.15
Nordic (150)	415.39	-1.5	382.32	309.15	393.53	429.17	-1.1	1.72	421.58	388.21	311.95	398.53	433.77	437.88	307.34	308.27
Pacific Basin (881)	148.07	-1.4	136.28	110.20	140.28	111.51	-0.8	1.29	150.15	138.26	111.10	141.84	112.50	163.27	127.18	150.69
Euro-Pacific (1594)	198.24	-1.3	182.45	147.54	187.81	166.86	-0.9	1.95	200.77	184.87	148.56	189.79	168.55	209.12	173.55	182.42
North America (763)	360.88	1.0	332.15	268.58	341.89	360.24	1.0	1.97	357.20	328.92	264.31	337.66	356.58	379.38	258.56	264.16
Europe Ex. UK (500)	241.12	-1.5	221.93	179.46	228.44	239.30	-1.2	1.85	244.78	225.40	181.13	231.39	242.20	256.73	191.01	192.32
Pacific Ex. Japan (396)	295.52	-1.5	271.99	219.94	279.97	268.66	-1.2	2.63	300.07	276.32	222.04	283.66	271.98	320.65	280.77	281.09
World Ex. US (1821)	202.20	-1.2	186.10	150.48	191.56	173.72	-0.9	1.93	204.64	188.43	151.42	193.44	175.30	212.89	176.94	183.63
World Ex. UK (2245)	251.06	-0.1	231.07	186.85	237.85	224.84	0.1	1.62	251.21	231.32	185.88	237.47	224.58	262.69	204.12	207.62
World Ex. Japan (1973)	319.74	0.1	294.28	237.96	302.92	314.11	0.2	1.89	319.34	294.05	236.29	301.87	313.49	334.63	242.70	245.03
The World Index (2458)	255.93	-0.1	235.55	190.47	242.46	230.27	0.0	1.81	256.21	235.93	189.58	242.20	230.17	267.21	207.64	210.68

PLEASE NOTE: Amendment to indices 18/8/97 applied to Ireland, related regional indices and The World Index. Latest prices were unavailable for this edition. Market closed 18/8/97: Hong Kong.